GREATER HUDSON BANK

Financial Report

December 31, 2015 and 2014

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Greater Hudson Bank
Bardonia, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Hudson Bank, which comprise the statements of financial condition as of December 31, 2015 and 2014, and the related statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Hudson Bank as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Livingston, New Jersey
March 10, 2016

GREATER HUDSON BANK

STATEMENTS OF FINANCIAL CONDITION

December 31, 2015 and 2014

(Dollar amounts in thousands, except per share data)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 17,993	$ 19,401
Securities available for sale	127,460	113,104
Loans, net	278,993	253,439
Premises and equipment	1,063	1,037
Restricted investments in bank stock	2,216	2,729
Accrued interest receivable	1,677	1,520
Other assets	3,299	3,137
Total Assets	**$ 432,701**	**$ 394,367**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 54,162	$ 45,211
Interest bearing	285,849	271,765
Total Deposits	**340,011**	**316,976**
Securities sold under agreements to repurchase	5,000	5,000
Federal Home Loan Bank ("FHLB") advances	40,334	27,313
Other liabilities	3,004	3,546
Total Liabilities	**388,349**	**352,835**
Shareholders' Equity		
Common stock, $0.01 par value, 20,000,000 shares authorized; 10,026,060 shares issued and 10,024,450 shares outstanding in 2015; 10,026,060 shares issued and 10,023,860 shares outstanding in 2014	100	100
Additional paid-in capital	37,547	37,516
Retained earnings	6,900	3,723
Treasury stock at cost, 1,610 shares as of 2015; 2,200 shares as of 2014	(6)	(6)
Accumulated other comprehensive (loss) income	(189)	199
Total Shareholders' Equity	**44,352**	**41,532**
Total Liabilities and Shareholders' Equity	**$ 432,701**	**$ 394,367**

See accompanying notes to financial statements.

GREATER HUDSON BANK

STATEMENTS OF OPERATIONS

Years ended December 31, 2015 and 2014

(Dollar amounts in thousands, except per share data)

	2015	2014
Interest Income		
Loans receivable, including fees	$ 14,456	$ 13,356
Securities	2,189	2,060
Federal funds sold and dividend income	2	1
Total Interest Income	**16,647**	**15,417**
Interest Expense		
Deposits	2,086	2,016
FHLB advances	654	430
Securities sold under agreements to repurchase	205	205
Total Interest Expense	**2,945**	**2,651**
Net Interest Income	**13,702**	**12,766**
Provision (Credit) for Loan Losses	**238**	**(48)**
Net Interest Income After Provision (Credit) for Loan Losses	**13,464**	**12,814**
Non-Interest Income		
Service charges on deposit accounts	193	179
Other income	258	293
Gains on securities transactions	405	716
Total Non-Interest Income	**856**	**1,188**
Non-Interest Expense		
Salaries and employee benefits	5,086	4,701
Occupancy and equipment	1,552	1,545
Advertising, marketing and business development	327	372
Data processing expenses	578	468
Professional fees	461	474
Federal Deposit Insurance Corporation (“FDIC”)	252	251
Other non-interest expenses	1,398	1,139
Total Non-Interest Expenses	**9,654**	**8,950**
Income Before Tax Expense	**4,666**	**5,052**
Income Tax Expense	1,489	2,393
Net Income	**$ 3,177**	**$ 2,659**
Earnings Per Share		
Basic and Diluted	**$ 0.32**	**$ 0.27**
Weighted Average Shares Outstanding Basic and Diluted	**10,024,701**	**10,021,684**

See accompanying notes to financial statements.

GREATER HUDSON BANK

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2015 and 2014

(Dollar amounts in thousands, except per share data)

	2015	2014
Net income	$ 3,177	$ 2,659
Other comprehensive (loss) income:		
Unrealized holding (losses) gains arising during the period	(214)	1,019
Unrealized gain on transfer of held to maturity securities to available for sale	-	314
Reclassification adjustment for net gains included in net income	(405)	(716)
Change in unrealized net (losses) gains	(619)	617
Tax effect	231	(247)
Total other comprehensive (loss) income	(388)	370
Total comprehensive income	**$ 2,789**	**$ 3,029**

See accompanying notes to financial statements.

GREATER HUDSON BANK

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2015 and 2014

(Dollar amounts in thousands, except per share data)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
Balance at January 1, 2014	**$ 100**	**$ 37,488**	**$ 1,565**	**$ (7)**	**$ (171)**	**$ 38,975**
Net income	-	-	2,659	-	-	2,659
Other comprehensive income	-	-	-	-	370	370
Issuance of restricted stock	-	(1)	-	1	-	-
Cash dividend ($0.05 per share)	-	-	(501)	-	-	(501)
Stock based compensation expense	-	29	-	-	-	29
Balance at December 31, 2014	**100**	**37,516**	**3,723**	**(6)**	**199**	**41,532**
Net income	-	-	3,177	-	-	3,177
Other comprehensive loss	-	-	-	-	(388)	(388)
Issuance of restricted stock	-	(6)	-	6	-	-
Forfeiture of restricted stock	-	6	-	(6)	-	-
Stock based compensation expense	-	31	-	-	-	31
Balance at December 31, 2015	**$ 100**	**$ 37,547**	**$ 6,900**	**$ (6)**	**$ (189)**	**$ 44,352**

See accompanying notes to financial statements.

GREATER HUDSON BANK

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

(Dollar amounts in thousands, except per share data)

	2015	2014
Cash flows from operating activities		
Net income	$ 3,177	$ 2,659
Adjustments to reconcile net income to net cash used in operating activities		
Provision for loan losses	238	(48)
Depreciation and amortization	447	425
Net amortization of securities premium	390	519
Deferred income tax expense	54	273
Net realized gain on sale of securities	(405)	(716)
Net change in accrued interest receivable and other assets	(142)	(565)
Net change in accrued interest payable and other liabilities	(542)	1,646
Stock compensation expense	31	29
Net cash provided by operating activities	**3,248**	**4,222**
Cash flows from investing activities		
Purchases of securities available for sale	(68,372)	(69,327)
Calls, maturities and principal repayments on securities available for sale	28,084	23,679
Proceeds from sales of securities available for sale	25,328	24,440
Net increase in loans	(25,792)	(36,511)
Purchases of premises and equipment	(473)	(304)
Redemption (purchase) of restricted bank stock	513	(155)
Net cash used in investing activities	**(40,712)**	**(58,178)**
Cash flows from financing activities		
Net change in deposits	23,035	49,731
Repayment of FHLB advances	(3,179)	(2,054)
Proceeds from FHLB advances	16,200	6,700
Dividends paid	-	(501)
Net cash provided by financing activities	**36,056**	**53,876**
Net change in cash and cash equivalents	**(1,408)**	**(80)**
Beginning cash and cash equivalents	**19,401**	**19,481**
Ending cash and cash equivalents	**$ 17,993**	**$ 19,401**
Supplemental cash flow information:		
Interest paid	$ 3,038	$ 2,565
Taxes paid	2,065	1,286
Supplemental non-cash disclosures:		
Held to maturity securities transferred to available for sale	$ -	$ 8,253

See accompanying notes to financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations: Greater Hudson Bank (the "Bank"), is a full service commercial bank chartered under the laws of New York State. On May 29, 2015, the Bank converted from a national banking association to a New York state-chartered commercial bank. The Bank provides a full range of banking services to individual and corporate customers located primarily in Orange, Rockland, and Westchester Counties, New York. The Bank is subject to federal and New York statutes applicable to New York State chartered banks. The Bank's deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") and it is subject to regulation, supervision and examination by the New York State Department of Financial Services ("NYSDFS") and the FDIC.

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through March 10, 2016, which is the date the financial statements were available to be issued.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest-Rate Risk: The Bank is principally engaged in the business of attracting deposits from the general public and using these deposits, together with other funds, to make loans and to purchase securities. The potential for interest-rate risk exists as a result of the difference in duration of the Bank's interest-sensitive liabilities compared to its interest-sensitive assets. For this reason, management regularly monitors the maturity structure of the Bank's interest-earning assets and interest-bearing liabilities in order to measure its level of interest-rate risk and to plan for future volatility.

Concentrations of Credit Risk: Most of the Bank's activities are with customers located within Hudson Valley, New York, and surrounding areas. The Bank's exposure to credit risk is significantly affected by changes in the economy of these areas. Note 2 describes the types of securities that the Bank invests in. Note 3 discusses the types of lending that the Bank engages in. The Bank has a significant concentration in commercial real estate. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

Securities: Securities to be held for indefinite periods of time and not intended to be held to maturity are classified as available for sale. Securities available for sale include securities that management intends to use as part of its asset / liability management strategy and that may be sold in response to changes in interest rates, resultant prepayment risk and other related factors. Securities available for sale are carried at estimated fair value and unrealized holding gains and losses on such securities are excluded from earnings and reported as increases or decreases in other comprehensive income. Gains and losses on sales of securities are based on the identifiable cost and are accounted for on a trade date basis. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period of maturity. Interest and dividend income is recognized when earned.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

On a quarterly basis, management makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 15. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Loans: Loans receivable that management has the intent and ability to hold for the foreseeable future or payoff are stated at the amount of unpaid principal, less deferred loan fees and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees and certain direct loan origination costs are deferred, and the net amount is amortized over the estimated life of the loan on a basis that approximates level yield.

Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. The accrual of income on loans is generally discontinued when a loan becomes more than 90 days delinquent as to principal or interest or when other circumstances indicate that collection is questionable, unless the loan is well secured and in the process of collection. Income on nonaccrual loans is recognized only in the period in which it is collected, and only if management determines that the loan principal is fully collectible. Loans are returned to an accrual status when a loan is brought current as to principal and interest and reasons for doubtful collection no longer exist. All loan segments are treated consistently in this manner.

Allowance for Loan Losses: The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level considered adequate to provide for probable incurred losses. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision as more information becomes available.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examinations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired, on which an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying amount of that loan. The general component covers the remainder of the portfolio and is based on historical loss experience adjusted for qualitative factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent three years. The Bank utilizes qualitative adjustments to the allowance for loan losses analysis within parameters. The qualitative adjustments are based on the factors below, which are patterned after the guidelines provided under the Federal Financial Institutions Examination Council Interagency Policy Statement on the Allowance for Loan and Lease Losses. If information exists to warrant adjustment to the historical loss experience, changes are made in accordance with parameters supported by narrative and/or statistical analysis.

- Changes in lending policies and procedures, including underwriting standards;
- Changes in collection, charge-off and recovery practices;
- Changes in the nature and volume of the loan portfolio;
- Changes in the experience, ability, and depth of lending management;
- Changes in the volume and severity of past due loans, nonaccrual loans, troubled debt restructurings, and adversely classified loans;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations;
- Changes in the quality of our loan review system and the degree of oversight by the Board of Directors;
- Growth in the loan portfolio;
- Changes in current, national and local economic and business conditions; and
- The effect of other external factors such as competition and legal and regulatory requirements.

The following are the Bank's portfolio segments:

- Commercial Real Estate Loans
- Land Acquisition and Construction Loans
- Other Real Estate Loans
- Commercial Loans
- Consumer Loans

Commercial real estate loans generally have greater credit risks compared to one- to four-family residential mortgage loans, as they typically involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project and thus may be subject to a greater extent to adverse conditions in the real estate market and in the general economy.

Land acquisition and construction loans generally have greater credit risk than traditional one-to-four-family residential mortgage loans. The repayment of these loans depends upon the sale of the property to third parties or the availability of permanent financing upon completion of all improvements. In the event the Bank makes a loan on property that is not yet approved for the planned development, there is the risk that approvals will not be granted or will be delayed. These events may adversely affect the borrower and the collateral value of the property. Construction loans also expose the Bank to the risk that improvements will not be completed on time in accordance with specifications and projected costs. In addition, the ultimate sale or rental of the property may not occur as anticipated.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other real estate segment includes the following classes: one-to four family residential mortgage loans, multifamily real estate loans and home equity loans. One-to four residential mortgage loans and home equity loans have as collateral a borrower's primary residence, second home or investment property. The risk of loss on these loans would be due to collateral deficiencies due to market deterioration or location and condition of the property and to individual borrower characteristics including borrower income, employment, and the ability to repay the loan. Loans secured by multifamily real estate loans generally involve a greater degree of credit risk than one- to four-family residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multifamily mortgages typically depends upon the successful operation of the related real estate property. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Commercial business loans involve a higher risk of default than residential loans of like duration since their repayment generally depends on the successful operation of the borrower's business and the sufficiency of collateral, if any.

For homogeneous loan pools, such as one-to-four family residential mortgages, home equity lines of credit and consumer loans, the Bank uses payment status to identify the credit risk in these loan portfolios. Payment status is reviewed on a monthly basis by the Bank's collection area and on a quarterly basis with respect to determining the adequacy of the allowance for loan losses. The payment status of these homogeneous pools at December 31, 2015, is included in the aging of the recorded investment of past due loans table. In addition, the total nonperforming portion of these homogeneous loan pools at December 31, 2015 and 2014, are presented in the recorded investment in nonaccrual loans table, which is presented in Note 3.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

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 or 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 all of the circumstances surrounding the loan and the borrower, including the length of the delay, 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 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. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is charged to operations using the straight-line method based upon the estimated useful lives of the assets. Amortization is charged over the lease term or over the estimated useful life of the assets, whichever is shorter. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are reflected in current operations.

Restricted Investments in Bank Stock: Restricted investments in bank stock include the Federal Reserve Bank ("FRB"), the Federal Home Loan Bank of New York ("FHLBNY"), Atlantic Central Bankers Bank and The Independent Bankers Bank. The purchase of such shares is limited to member institutions with federal law requiring members to own FRB and FHLBNY stock at a predetermined formula. The stocks are carried at cost, classified as restricted securities, and periodically evaluated for impairment based on ultimate recovery at par value. Both cash and stock dividends are reported as income.

Advertising, Marketing and Business Development Costs: Advertising, marketing and business development costs are charged to operations in the year incurred.

Transfers of Financial Assets: Transfers of financial assets, including loan participation sales, are accounted for as sales, when control over the assets has been surrendered. 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 taxes are accounted for under the asset and liability method. Current income taxes are provided for based upon the amounts estimated to be currently payable, for both federal and state income taxes. Deferred federal and state tax assets and liabilities are recognized for the expected future tax consequences of existing differences between financial statement and tax bases of existing assets and liabilities. Deferred tax assets are recognized for future deductible temporary differences and tax loss carryforwards. The realization of deferred tax assets is assessed and a valuation allowance is provided for the amount more likely than not expected to not be realized. The effect of a change in the tax rate on deferred taxes is recognized in the period of the enactment date.

The Bank's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the Statements of Operations.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Stock Based Compensation: Compensation cost is recognized for restricted stock awards issued based on the fair value of these awards at the date of grant. The market price of the Bank's common stock at the date of grant is used as the fair value of the restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options, if any.

Comprehensive Income (Loss): Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Changes in certain assets and liabilities, such as unrealized gains (losses) on securities available for sale, are reported as a separate component of the equity section of the statement of financial condition. Such items, along with net income, are components of comprehensive income (loss).

Off-Balance-Sheet Financial Instruments: In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded.

NOTE 2 – SECURITIES

Amortized cost and fair value of securities available for sale were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
U.S. Government agency securities	$ 44,203	$ 104	$ (189)	$ 44,118
Corporate securities	7,448	22	(13)	7,457
Obligations of states and political subdivisions	29,631	226	(1)	29,856
Mortgage-backed securities ("MBSs") – residential	34,436	74	(311)	34,199
Collateralized mortgage obligations ("CMOs") – residential	11,875	6	(202)	11,679
Asset-backed securities	153	-	(2)	151
	$ 127,746	**$ 432**	**$ (718)**	**$ 127,460**
December 31, 2014				
U.S. Government agency securities	$ 40,071	$ 82	$ (99)	$ 40,054
Corporate securities	7,596	28	(14)	7,610
Obligations of states and political subdivisions	26,083	251	(5)	26,329
Mortgage-backed securities ("MBSs") – residential	25,217	290	(88)	25,419
Collateralized mortgage obligations ("CMOs") – residential	13,591	23	(134)	13,480
Asset-backed securities	214	-	(2)	212
	$ 112,772	**$ 674**	**$ (342)**	**$ 113,104**

NOTE 2 – SECURITIES (Continued)

On January 31, 2014, the Bank transferred securities from the held to maturity portfolio to the available for sale portfolio. On the date of transfer, the securities had an amortized cost of $8,253,000 and a fair value of $8,567,000. The transfer resulted in other comprehensive income of $188,000, based on unrealized gains of $314,000 net of the related tax effect of $126,000. As of December 31, 2015 and 2014, the Bank had no securities classified as held to maturity.

At December 31, 2015 and 2014, securities with amortized cost of $110,013,000 and $98,992,000 and fair values of $109,797,000 and $99,300,000, respectively, were pledged to secure public funds on deposit and borrowings at PNC Bank and advances from the FHLBNY.

During the year ended December 31, 2015, the Bank sold thirty-two available for sale securities with gross proceeds of $25,328,000 for a gain of $405,000. No securities were sold at a loss during the year ended December 31, 2015. During the year ended December 31, 2014, the Bank sold thirty-one available for sale securities with gross proceeds of $24,440,000 for a gain of $716,000. No securities were sold at a loss during the year ended December 31, 2014.

The following tables show the Bank's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2015						
U.S. Government agency securities	$ 24,743	$ (189)	$ -	$ -	$ 24,743	$ (189)
Corporate securities	5,337	(13)	-	-	5,337	(13)
Obligations of states and political subdivisions	978	-	237	(1)	1,215	(1)
MBSs – residential	25,332	(256)	2,809	(55)	28,141	(311)
CMOs – residential	8,349	(127)	2,251	(75)	10,600	(202)
Asset-backed securities	151	(2)	-	-	151	(2)
	$ 64,890	**$ (587)**	**$ 5,297**	**$ (131)**	**$ 70,187**	**$ (718)**
December 31, 2014						
U.S. Government agency securities	$ 17,384	$ (40)	$ 2,941	$ (59)	$ 20,325	$ (99)
Corporate securities	3,334	(5)	991	(9)	4,325	(14)
Obligations of states and political subdivisions	1,345	(3)	472	(2)	1,817	(5)
MBSs – residential	1,979	(21)	3,649	(67)	5,628	(88)
CMOs – residential	3,932	(29)	5,253	(105)	9,185	(134)
Asset-backed securities	212	(2)	-	-	212	(2)
	$ 28,186	**$ (100)**	**$ 13,306**	**$ (242)**	**$ 41,492**	**$ (342)**

At December 31, 2015, unrealized losses involved twenty-three U.S. Government agency securities, five corporate bonds, twenty-five MBSs, nineteen CMOs, four obligations of state and political subdivisions, and one asset-backed security. At December 31, 2014, unrealized losses involved twenty-one U.S. Government agency securities, four corporate bonds, six MBSs, fifteen CMOs, four obligations of state and political subdivisions, and one asset-backed security. Management does not believe that any individual unrealized loss represents an other-than-temporary impairment ("OTTI").

NOTE 2 – SECURITIES (Continued)

Management considers many factors including the severity and duration of the impairment; the intent and the ability of the Bank to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. When OTTI occurs, for debt securities, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell the security or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, less any current period credit loss.

If an entity intends to sell or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, less any current-period credit loss, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date.

If an entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis less any current-period loss, the OTTI shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other factors is recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment.

At December 31, 2015 and 2014, management believes that all unrealized losses are due to changes in market interest rates and not related to the underlying credit quality of the issuer of the securities. Management does not intend to sell nor is it more likely than not that management would be required to sell the securities prior to their anticipated recovery. At December 31, 2015 and 2014, all securities in an unrealized loss position are investment grade.

The amortized cost and fair value of the Bank's securities available for sale at December 31, 2015, by contractual maturity are shown below (in thousands). Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay with or without penalties.

	Amortized Cost	Fair Value
One year or less	$ 9,810	$ 9,832
Over one year through five years	54,635	54,689
Over five years through ten years	15,603	15,648
Over ten years	1,234	1,262
MBSs - residential	34,436	34,199
CMOs - residential	11,875	11,679
Asset-backed securities	153	151
	$ 127,746	**$ 127,460**

NOTE 3 – LOANS

Loans at year end were as follows (in thousands):

	2015	2014
Real estate		
Commercial	$ 128,000	$ 119,609
Land acquisition and construction	61,110	31,739
Other	20,251	19,422
Commercial	73,698	86,718
Consumer	364	153
Total	**283,423**	**257,641**
Allowance for loan losses	(3,555)	(3,306)
Deferred loan fees and costs, net	(875)	(896)
Loans, net	**$ 278,993**	**$ 253,439**

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2015 and 2014 (in thousands):

	Real Estate					
	Commercial	Land Acquisition and Construction	Other	Commercial	Consumer	Total
December 31, 2015						
Allowance for loan losses:						
Beginning balance	$ 1,557	$ 285	$ 166	$ 1,297	$ 1	$ 3,306
Provision (credit) for loan losses	(71)	448	25	(164)	-	238
Loans charged-off	-	-	-	(17)	-	(17)
Recoveries	28	-	-	-	-	28
Total ending allowance balance	**$ 1,514**	**$ 733**	**$ 191**	**$ 1,116**	**$ 1**	**$ 3,555**
December 31, 2014						
Allowance for loan losses:						
Beginning balance	$ 1,383	$ 488	$ 158	$ 1,830	$ 2	$ 3,861
Provision (credit) for loan losses	386	(203)	188	(418)	(1)	(48)
Loans charged-off	(212)	-	(180)	(120)	-	(512)
Recoveries	-	-	-	5	-	5
Total ending allowance balance	**$ 1,557**	**$ 285**	**$ 166**	**$ 1,297**	**$ 1**	**$ 3,306**

NOTE 3 – LOANS (Continued)

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2015 and 2014 (in thousands):

	Real Estate					
	Commercial	Land Acquisition and Construction	Other	Commercial	Consumer	Total
December 31, 2015						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 5	$ -	$ 47	$ 5	$ -	$ 57
Collectively evaluated for impairment	1,509	733	144	1,111	1	3,498
Total ending allowance balance	**$ 1,514**	**$ 733**	**$ 191**	**$ 1,116**	**$ 1**	**$ 3,555**
December 31, 2015						
Loans:						
Loans individually evaluated for impairment	$ 5,527	$ 5,101	$ 644	$ 1,497	$ -	$ 12,769
Loans collectively evaluated for impairment	122,473	56,009	19,607	72,201	364	270,654
Total ending loans balance	**$ 128,000**	**$ 61,110**	**$ 20,251**	**$ 73,698**	**$ 364**	**$ 283,423**
December 31, 2014						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 9	$ -	$ 21	$ -	$ -	$ 30
Collectively evaluated for impairment	1,548	285	145	1,297	1	3,276
Total ending allowance balance	**$ 1,557**	**$ 285**	**$ 166**	**$ 1,297**	**$ 1**	**$ 3,306**
December 31, 2014						
Loans:						
Loans individually evaluated for impairment	$ 5,657	$ 5,991	$ 370	$ 827	$ -	$ 12,845
Loans collectively evaluated for impairment	113,952	25,748	19,052	85,891	153	244,796
Total ending loans balance	**$ 119,609**	**$ 31,739**	**$ 19,422**	**$ 86,718**	**$ 153**	**$ 257,641**

NOTE 3 – LOANS (Continued)

The following table presents information related to impaired loans by class of loans as of and for the years ended December 31, 2015 and 2014 (in thousands):

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Cash Basis Interest Recognized
December 31, 2015					
With no related allowance recorded					
Real estate					
Commercial	$ 5,517	$ 5,517	$ -	$ 5,616	$ 212
Land acquisition and construction	5,101	5,101	-	5,405	456
Home equity	274	274	-	260	18
Residential / multifamily	75	75	-	75	-
Commercial	1,306	1,306	-	575	20
With an allowance recorded					
Real estate					
Commercial	18	10	5	12	-
Land acquisition and construction	-	-	-	63	16
Home equity	28	28	28	14	1
Residential / multifamily	267	267	19	270	21
Commercial	191	191	5	196	6
Total	**$ 12,777**	**$ 12,769**	**$ 57**	**$ 12,486**	**$ 750**
December 31, 2014					
With no related allowance recorded					
Real estate					
Commercial	$ 5,643	$ 5,643	$ -	$ 5,764	$ 223
Land acquisition and construction	5,991	5,991	-	5,894	460
Home equity	15	15	-	105	1
Residential / multifamily	81	81	-	81	5
Commercial	827	827	-	725	22
With an allowance recorded					
Real estate					
Commercial	20	14	9	71	-
Residential / multifamily	274	274	21	277	23
Commercial	-	-	-	483	3
Total	**$ 12,851**	**$ 12,845**	**$ 30**	**$ 13,400**	**$ 737**

NOTE 3 – LOANS (Continued)

The following tables present the recorded investment in nonaccrual loans by class of loans as of December 31, 2015 and 2014 (in thousands):

	Nonaccrual	
	2015	**2014**
Real estate		
Commercial	$ 2,709	$ 2,781
Home equity	28	-
Residential / multifamily	260	-
Commercial	188	205
Total	**$ 3,185**	**$ 2,986**

There were no loans past due over 90 days still on accrual for the years ended December 31, 2015 and 2014.

No additional funds are committed to be advanced on impaired loans.

The following table presents the aging of the recorded investment in past due loans as of December 31, 2015 and 2014, by class of loans (in thousands):

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2015						
Real estate						
Commercial	$ 1,280	$ 147	$ 2,709	$ 4,136	$ 123,864	$ 128,000
Land acquisition and construction	-	-	-	-	61,110	61,110
Home equity	-	-	-	-	6,866	6,866
Residential / multifamily	-	75	-	75	13,310	13,385
Commercial	527	39	188	754	72,944	73,698
Consumer	8	-	-	8	356	364
Total	**$ 1,815**	**$ 261**	**$ 2,897**	**$ 4,973**	**$ 278,450**	**$ 283,423**
December 31, 2014						
Real estate						
Commercial	$ 183	$ 360	$ 2,781	$ 3,324	$ 116,285	$ 119,609
Land acquisition and construction	-	-	-	-	31,739	31,739
Home equity	-	-	-	-	5,740	5,740
Residential / multifamily	-	-	-	-	13,682	13,682
Commercial	354	-	205	559	86,159	86,718
Consumer	-	-	-	-	153	153
Total	**$ 537**	**$ 360**	**$ 2,986**	**$ 3,883**	**$ 253,758**	**$ 257,641**

NOTE 3 – LOANS (Continued)

Troubled Debt Restructurings

The Bank has $33,000 in reserves allocated to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2015, and had none as of December 31, 2014. Total troubled debt restructurings as of December 31, 2015 were $12,491,000, of which $9,242,000 were performing and $3,249,000 were non-performing. Total debt restructurings as of December 31, 2014 were $12,550,000, of which $9,585,000 were performing and $2,965,000 were non-performing. The Bank has no commitments to lend additional amounts as of December 31, 2015 and 2014, to customers with outstanding loans that are classified as troubled debt restructurings.

During the years ending December 31, 2015 and 2014, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from one month to five years. Modifications involving an extension of the maturity date were for periods ranging from twelve months to twenty-five years.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending December 31, 2015 (dollars in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled debt restructurings:			
Real estate			
Commercial	-	$ -	$ -
Land acquisition and construction	1	1,300	1,000
Home equity	1	28	28
Residential / multifamily	1	241	260
Commercial	2	1,125	1,125
Total	**5**	**$ 2,694**	**$ 2,413**

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending December 31, 2014 (dollars in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled debt restructurings:			
Real estate			
Commercial	1	$ 2,766	$ 2,766
Land acquisition and construction	3	1,685	1,365
Home equity	-	-	-
Residential / multifamily	1	81	81
Commercial	-	-	-
Total	**5**	**$ 4,532**	**$ 4,212**

NOTE 3 – LOANS (Continued)

The troubled debt restructurings described above resulted in an increase of $33,000 to the allowance for loan losses during the year ending December 31, 2015. The troubled debt restructurings described above resulted in no increase to the allowance for loan losses during the year ending December 31, 2014.

The troubled debt restructurings described above resulted in in no charge offs during the years ending December 31, 2015 and 2014.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms.

The Bank had no troubled debt restructurings that subsequently defaulted during the years ending December 31, 2015 and 2014.

The terms of certain other loans were modified during the years ending December 31, 2015 and 2014, that did not meet the definition of a troubled debt restructuring. These loans have a total recorded investment as of December 31, 2015 and 2014, of $17,080,000 and $3,788,000, respectively. The modification of these loans involved rate, term or loan amount adjustments for loans to borrowers who were not experiencing financial difficulties.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Bank's internal underwriting policy.

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. With the exception of consumer loans, all loans are classified at origination. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with an outstanding balance greater than $100,000 and non-homogeneous loans, such as commercial and commercial real estate loans. Subsequent to origination the Bank monitors the loans based on performance. This analysis is performed on a quarterly basis. The Bank uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process or are monitored based on performance are considered to be pass rated loans.

NOTE 3 – LOANS (Continued)

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Not Rated
December 31, 2015					
Real estate					
Commercial	$ 122,138	$ 885	$ 4,977	$ -	$ -
Land acquisition and construction	55,454	-	5,656	-	-
Home equity	6,823	-	43	-	-
Residential / multifamily	12,785	-	600	-	-
Commercial	65,575	6,820	1,303	-	-
Consumer	114	-	-	-	250
Total	**$ 262,889**	**$ 7,705**	**$ 12,579**	**$ -**	**$ 250**
December 31, 2014					
Real estate					
Commercial	$ 111,644	$ 2,228	$ 5,737	$ -	$ -
Land acquisition and construction	25,541	-	6,198	-	-
Home equity	5,725	-	15	-	-
Residential / multifamily	13,110	-	572	-	-
Commercial	84,965	1,121	632	-	-
Consumer	130	-	-	-	23
Total	**$ 241,115**	**$ 3,349**	**$ 13,154**	**$ -**	**$ 23**

The Bank did not purchase any credit impaired loans in 2015 and 2014.

NOTE 4 – PREMISES AND EQUIPMENT

Premises and Equipment as of December 31, 2015 and 2014, are as follows (in thousands):

	2015	2014
Leasehold improvements	$ 817	$ 964
Furniture, fixtures and equipment	1,569	1,618
	2,386	**2,582**
Accumulated depreciation	(1,323)	(1,545)
	$ 1,063	**$ 1,037**

The amount charged to depreciation expense was approximately $447,000 and $425,000 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 – DEPOSITS

Deposits at year end were as follows (in thousands):

	2015	2014
Noninterest bearing demand	$ 54,162	$ 45,211
Interest bearing demand	6,416	5,896
Money market	160,694	127,092
Savings	36,696	30,596
Time deposits	82,043	108,181
	$ 340,011	**$ 316,976**

Scheduled maturities of time deposits at December 31, 2015, were as follows (in thousands):

2016	$ 54,178
2017	18,513
2018	4,110
2019	4,646
2020	596
Thereafter	-
	$ 82,043

At December 31, 2015 and 2014, time deposits that meet or exceed the FDIC insurance limit of $250,000 totaled $15,477,000 and $26,928,000, respectively.

NOTE 6 – BORROWINGS AND LINES OF CREDIT

On March 7, 2007, the Bank entered into a $5,000,000 Master Repurchase Agreement with PNC Bank. The borrowing is at a fixed rate of interest of 4.04% with a maturity date of March 2017. For 2015 and 2014, the maximum balance of the PNC borrowings was $5,000,000 and the average balance was $5,000,000. PNC Bank has the right to terminate the transaction on March 13, 2008, and quarterly thereafter with five business days' notice. The borrowing is collateralized by U.S. Government agency securities with a carrying amount of $5,975,000 and fair value of $5,987,000 as of December 31, 2015 and a carrying amount of $6,001,000 and fair value of $5,971,000 as of December 31, 2014.

At December 31, 2015, the Bank had fixed rate term and amortizing advances with the FHLBNY totaling $40,334,000 at a weighted average interest rate of 1.82%. The advances are set to mature from March 2016 to May 2022 and have fixed rates ranging from 0.85% to 2.51%. For 2015, the maximum balance of the advances was $40,413,000 and the average balance was $36,146,000. These advances were collateralized by securities with an aggregate carrying value and estimated fair value of approximately $46,116,000 and $45,689,000, respectively. The Bank also had $58,178,000 in pledged loans available to collateralize borrowings.

At December 31, 2014, the Bank had fixed rate term and amortizing advances with the FHLBNY totaling $27,313,000 at a weighted average interest rate of 1.84%. The advances are set to mature from March 2015 to May 2022 and have fixed rates ranging from 0.85% to 2.51%. For 2014, the maximum balance of the advances was $27,313,000 and the average balance was $23,613,000. These advances were collateralized by securities with an aggregate carrying value and estimated fair value of approximately $38,580,000 and $38,671,000, respectively.

NOTE 6 – BORROWINGS AND LINES OF CREDIT (Continued)

The Bank also had $58,924,000 in pledged loans available to collateralize borrowings.

As of December 31, 2015, the Bank's payments for FHLBNY term and amortizing advances are as follows (in thousands):

2016	$ 7,261
2017	4,266
2018	5,272
2019	8,213
2020	10,062
Thereafter	5,260
	$ 40,334

The Bank has available Federal Funds lines of credit for $3,000,000 at The Independent Bankers Bank, $7,000,000 at Atlantic Central Bankers Bank, $9,000,000 at Zions Bank, $10,000,000 at PNC Bank, $9,000,000 at M&T Bank, of which, $4,000,000 is unsecured and $5,000,000 is secured. As part of the Zions Federal Funds line, the Bank is required to maintain a minimum deposit balance with them of $200,000. Borrowings under the lines are charged interest at the quoted Federal Funds offering rate at the time that advances are made, and mature the following business day. Additional securities pledged may be required. The Bank had no borrowings of these types outstanding at December 31, 2015 and 2014.

NOTE 7 – OPERATING LEASES

The Bank leases office space for use as administrative and branch offices in Bardonia, and Monroe, New York, and branch offices in Middletown, Warwick and White Plains, New York. Rental expense totaled approximately $554,000 and $545,000 for the years ended December 31, 2015 and 2014, respectively.

At December 31, 2015, the minimum rental commitments required under the leases are as follows (in thousands):

2016	$ 483
2017	412
2018	352
2019	242
2020	120
Thereafter	534
	$ 2,143

NOTE 8 – INCOME TAXES

Income tax expense consists of the following (in thousands):

	2015	2014
Current		
Federal	$ 1,380	$ 1,407
State	-	362
	1,380	**1,769**
Deferred		
Federal	137	90
State	(83)	183
	54	**273**
Valuation allowance	55	351
Income tax expense (benefit)	**$ 1,489**	**$ 2,393**

The following table presents a reconciliation between the reported income tax and the income tax, which would be computed by applying the normal federal income tax rate of 34% to income before income taxes at years ended December 31 (in thousands):

	2015		2014	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Income
Federal income tax at statutory rate	$ 1,586	34.0%	$ 1,718	34.0%
State income tax, net of federal benefit	(55)	(1.2)	359	7.1
Valuation allowance	55	1.2	351	7.0
Tax-exempt income, net	(109)	(2.3)	(111)	(2.2)
Other	12	0.2	76	1.5
Effective income tax (rate)	**$ 1,489**	**31.9%**	**$ 2,393**	**47.4%**

The Bank's deferred tax assets and liabilities at December 31 are as follows (in thousands):

	2015	2014
Deferred tax assets		
Net operating losses carried forward	$ 1,699	$ 1,772
Allowance for loan losses	1,196	1,102
Unrealized losses on securities available for sale	98	-
Other	242	255
Total deferred tax assets	**3,235**	**3,129**
Deferred tax liabilities		
Depreciation	(151)	(91)
Unrealized gains on securities available for sale	-	(133)
Other	(13)	(10)
Total deferred tax liabilities	**(164)**	**(234)**
Valuation allowance	(406)	(351)
Net deferred tax assets	**$ 2,665**	**$ 2,544**

NOTE 8 – INCOME TAXES (Continued)

In 2014, New York State enacted comprehensive tax reform provisions with significant impact on financial institutions. As a result of this legislation, beginning in 2015, the Bank calculated its tax obligation to New York based upon the largest of a calculated income tax liability, a tax liability based upon average equity capital or a fixed minimum fee. Also, effective January 1, 2015, banks under $8 billion in total assets are permitted to claim a subtraction from New York taxable income equal to 50% of the net interest income on certain loans to customers within New York State, provided the principal balance of these loans is less than $5 million. Based upon the forecasted impact of this exclusion on the Bank's state taxable income, it is more likely than not the Bank will generate New York losses in future years and therefore calculate its New York tax liability on the basis of average equity capital or a fixed minimum fee. Consequently, the Bank recorded a valuation allowance against its net New York deferred tax assets as of December 31, 2014, as it is unlikely this deferred tax asset will impact the Bank's New York tax liability in future years.

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration.

The Bank has available unused federal net operating loss carryforwards that may be applied against future taxable income and that expire as follows (in thousands):

Year of Expiration	
2024	$ 868
2025	1,456
2026	1,171
2027	365
2028	400
Total	**$ 4,260**

At December 31, 2015, the Bank assessed its earnings history and trend over the past three years, its estimate of future earnings, and the expiration dates of its net operating loss carryforwards. This assessment included an analysis of the impact of the Internal Revenue Code (“IRC:) Section 382 limitations on loss utilization, which amounts to $354,138 per year. Based on this assessment, the Bank determined that it was more likely than not that its federal deferred tax assets will be realized before their expiration.

At December 31, 2015 and 2014, the Bank had no unrecognized tax benefits recorded. The Bank does not expect the amount of unrecognized tax benefits to significantly change within the next twelve months. There were no penalties or interest related to income taxes recorded in the income statement for the years ended December 31, 2015 and 2014, and no amounts accrued for penalties as of December 31, 2015 and 2014.

The Bank is subject to U.S. federal income tax as well as income tax of the state of New York. The Bank is no longer subject to examination by taxing authorities for the years prior to 2012.

NOTE 9 – RETIREMENT PLAN

The Bank has established a 401(k) Plan (the “Plan”) to provide retirement benefits for its employees. The Plan covers substantially all employees meeting certain eligibility requirements. Employees may contribute from 1% to 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service.

NOTE 9 – RETIREMENT PLAN (Continued)

Contributions that the Bank may make, including matching contributions, are discretionary. In 2015 and 2014, the Bank's matching contributions totaled approximately $127,000 and $22,000, respectively. The increase in the Bank's matching contributions in 2015 was due to the Bank increasing its maximum matching contribution from 1.0% to 4.0%.

NOTE 10 – CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal and state 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 the assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weighting and other factors. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015, with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Capital amounts and ratios for December 31, 2014, are calculated using Basel I rules. Management believes as of December 31, 2015, the Bank meets all capital adequacy requirements to which it is subject.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the tables below) of total, Common Equity Tier 1, and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 Capital (as defined) to average assets (as defined).

At year end December 31, 2015 and 2014, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt correction action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Common Equity Tier 1, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

Capital ratios as of December 31, 2015, are calculated under the requirements of Basel III, whereas, capital ratios as of December 31, 2014, are calculated under the requirements of Basel I, and as a result, are not considered comparative. The Bank's actual capital ratios as of December 31, 2015 and 2014, and the minimum ratios required for capital adequacy purposes and to be well capitalized under the prompt correction action provisions are as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2015						
Tier 1 leverage ratio (to average assets)	$ 43,093	10.0%	$ 17,245	≥4.0%	$ 21,557	≥5.0%
Common Tier 1 leverage ratio (to risk-weighted assets)	43,093	12.7	15,299	≥4.5	22,098	≥6.5
Tier 1 risk-based capital ratio (to risk-weighted assets)	43,093	12.7	20,399	≥6.0	27,198	≥8.0
Total risk-based capital ratio (to risk-weighted assets)	47,157	13.9	27,198	≥8.0	33,998	≥10.0

NOTE 10 – CAPITAL REQUIREMENTS (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2014						
Tier 1 leverage ratio (to average assets)	$ 41,333	10.6 %	$ 15,537	≥4.0%	$ 19,422	≥5.0%
Tier 1 risk-based capital ratio (to risk-weighted assets)	41,333	13.6	12,194	≥4.0	18,290	≥6.0
Total risk-based capital ratio (to risk-weighted assets)	44,945	14.7	24,387	≥8.0	30,484	≥10.0

NOTE 11 – SHAREHOLDERS' EQUITY AND DIVIDENDS

The NYSDFS regulates the amount of dividends and other capital distributions that the Bank may pay to shareholders. In general, all dividends may only be paid from undivided profits and the Bank must meet all capital requirements after the dividend payment. As of December 31, 2015, the Bank met regulatory guidelines necessary to pay dividends. Net income available to pay dividends totaled $6,374,000 as of December 31, 2015, with the maximum allowable dividend under regulatory guidelines equal to the Bank's retained earnings of $6,900,000.

No dividends were paid in 2015. In 2014, a dividend in the amount $0.05 per share was paid to shareholders of record as of December 10, 2014, on December 23, 2014.

NOTE 12 – RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, significant stockholders, and their affiliates at December 31, 2015, were $3,742,000, of which $3,140,000 was outstanding and $602,000 was in unused lines of credit. Loans to principal officers, directors, significant stockholders, and their affiliates at December 31, 2014, were $5,596,000, of which $3,756,000 was outstanding and $1,840,000 was in unused lines of credit.

The Bank held related party deposits of approximately $12,995,000 and $12,117,000 at December 31, 2015 and 2014, respectively.

The Bank leases both the Bardonia and Monroe, New York, branches and office space from significant stockholders of the Bank. For Bardonia, the Bank is committed to an escalating branch and office lease amount beginning at approximately $134,000 per year and ending at approximately $175,000 per year through the term of the lease ending August 2018. For Monroe, the Bank is committed to a branch and office lease amount of approximately $129,000 per year through the term of the leases ending January and February 2017 for branch and loan office space, and September 2025 for Finance / IT office space, respectively. The rent expense for the Bardonia lease amounted to $155,000 for the years ended December 31, 2015 and 2014. The rent expense for the Monroe leases amounted to $100,000 for the year ended December 31, 2015, and $91,000 for the year ended December 31, 2014.

NOTE 13 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to certain 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. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the statement of financial condition. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments. Commitments may expire without being used.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Unless otherwise noted, the Bank may require collateral or other security to support off-balance-sheet financial instruments with credit risk.

A summary of the Bank's commitments at December 31, 2015 and 2014, were as follows (in thousands):

	2015	2014
Commitment to originate loans	$ 23,089	$ 38,922
Standby letters of credit	2,423	3,253
Undisbursed construction loans	30,780	18,275
Unused credit lines	27,874	25,720
	$ 84,166	**$ 86,170**

NOTE 14 – STOCK BASED COMPENSATION

Share Award Plan: On January 26, 2015, a grant of 2,200 shares of restricted stock was made to two executives. On April 8, 2014, a grant of 12,500 shares of restricted stock was made to employees of the Bank. On February 21, 2013, a grant of 8,950 shares of restricted stock was made to employees of the Bank. On October 4, 2013, a grant of 10,000 shares of restricted stock was made to one executive. On December 3, 2012, a grant of 1,500 shares was made to one executive and on February 17, 2011, a grant of 16,675 shares of restricted stock was made to employees of the Bank. All shares vest over five years. These grants were issued from treasury stock, if available. If treasury stock was unavailable, the grants were issued from authorized and unissued shares. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at issue date. Total compensation cost that has been charged against income was $31,000 and $29,000 for 2015 and 2014, respectively. The total income tax benefit was $10,500 and $11,600 for 2015 and 2014. The market price of the Bank's common stock at the date of grant is used as the fair value of the restricted stock awards.

A summary of changes in the Bank's nonvested shares for the year follows:

Nonvested Shares		Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2015	28,110	$ 4.05
Granted	2,200	4.05
Vested	(7,135)	4.23
Forfeited	(1,610)	3.91
Nonvested at December 31, 2015	**21,565**	**$ 3.96**

NOTE 14 – STOCK BASED COMPENSATION (Continued)

As of December 31, 2015, there was $63,000 of total unrecognized compensation cost related to the nonvested shares granted under the 2011 Restricted Stock Plan. The remaining cost is expected to be recognized over a weighted-average period of 3.0 years. The total fair value of shares vested during the years ended December 31, 2015 and 2014, was $20,700 and $19,500, respectively.

NOTE 15 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. Because the Bank has a small amount of impaired loans measured at fair value, the impact of unobservable inputs on the Bank's financial statements is not material.

Nonrecurring adjustments to certain commercial and residential real estate properties classified as other real estate owned ("OREO") are measured at lower of cost or fair value, less costs to sell. Fair values are based on recent real estate appraisals. These appraisals may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

NOTE 15 – FAIR VALUE (Continued)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousand):

	Fair Value Measurements At December 31 Using		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015			
Assets:			
Available for sale securities			
U.S. Government agency	$ -	$ 44,118	$ -
Corporate securities	7,457	-	-
Obligations of states and political subdivisions	-	29,856	-
MBSs - residential	-	34,199	-
CMOs – residential	-	11,679	-
Asset-backed securities	-	151	-
Total Available for Sale Securities	**$ 7,457**	**$ 120,003**	**$ -**
2014			
Assets:			
Available for sale securities			
U.S. Government agency	$ -	$ 40,054	$ -
Corporate securities	7,610	-	-
Obligations of states and political subdivisions	-	26,329	-
MBSs - residential	-	25,419	-
CMOs – residential	-	13,480	-
Asset-backed securities	-	212	-
Total Available for Sale Securities	**$ 7,610**	**$ 105,494**	**$ -**

NOTE 15 – FAIR VALUE (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below (in thousands):

	Fair Value Measurements At December 31 Using		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015			
Assets:			
Impaired loans			
Real estate			
Commercial	$ -	$ -	$ 5
Residential / multifamily	-	-	248
Commercial	-	-	186
2014			
Assets:			
Impaired loans			
Real estate			
Commercial	$ -	$ -	$ 6
Residential / multifamily	-	-	253

At December 31, 2015 and 2014, impaired loans, which are measured for impairment using the fair value of the collateral for collateral-dependent loans, had net carrying amounts of $496,000 and $289,000 with a valuation allowance of $57,000 and $30,000, resulting in an additional provision for loan losses of $22,000 for the year 2015 and a reduction of the provision for loan losses of $6,000 for 2014. At December 31, 2015 and 2014, the Bank did not have any OREO measured at fair value. There was no valuation allowance on these assets.

Estimated fair values of financial instruments at December 31, 2015 and 2014, were as follows (in thousands):

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
December 31, 2015				
Financial assets				
Cash and due from banks	$ 17,993	$ 17,993	$ -	$ -
Securities available for sale	127,460	7,457	120,003	-
Restricted bank stock	2,216	N/A	N/A	N/A
Loans receivable, net	278,993	-	-	284,598
Accrued interest receivable	1,677	82	353	1,242

NOTE 15 – FAIR VALUE (Continued)

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
December 31, 2015				
Financial liabilities				
Deposits	$ 340,011	$ 257,968	$ 82,280	$ -
Securities sold under agreements to repurchase	5,000	-	5,189	-
FHLB advances	40,334	-	40,847	-
Accrued interest payable	541	28	513	-
December 31, 2014				
Financial assets				
Cash and due from banks	$ 19,401	$ 19,401	$ -	$ -
Securities available for sale	113,104	7,610	105,494	-
Restricted bank stock	2,729	N/A	N/A	N/A
Loans receivable, net	253,439	-	-	258,286
Accrued interest receivable	1,520	83	342	1,095
Financial liabilities				
Deposits	$ 316,976	$ 208,795	$ 108,801	$ -
Securities sold under agreements to repurchase	5,000	-	5,339	-
FHLB advances	27,313	-	27,702	-
Accrued interest payable	634	29	605	-

The methods and assumptions used to estimate fair value are described as follows:

Cash and Cash Equivalents: The carrying amounts of cash and cash equivalents approximate fair values and are classified as Level 1.

Restricted Investments in Bank Stock: It is not practical to determine the fair value of these stocks due to restrictions placed on transferability.

Loans: Fair values of loans are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Deposits: The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 1 classification. The carrying amounts of variable rate, fixed-term money market accounts approximate their fair values at the reporting date resulting in a Level 1 classification. Fair values for certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

NOTE 15 – FAIR VALUE (Continued)

Short-Term Borrowings: The carrying amounts borrowings under repurchase agreements, and other short-term borrowings, generally maturing within ninety days, approximate their fair values resulting in a Level 2 classification.

FHLB Advances: The fair values of the Company's FHLB advances are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Accrued Interest Receivable / Payable: The carrying amounts of accrued interest approximate fair value resulting in a Level 1 or Level 2 classification consistent with the classification of the related asset or liability.

Off-Balance Sheet Instruments: Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following is a summary of accumulated other comprehensive income (loss) by component, net of tax for 2015 (in thousands):

	Unrealized Gains and Losses on Available-for-sale Securities
December 31, 2015	
Beginning balance	$ 199
Other comprehensive income before reclassification	(134)
Amounts reclassified from accumulated other comprehensive income	(254)
Net current period other comprehensive income	(388)
Ending balance	**$ (189)**

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The following is a summary of accumulated other comprehensive income (loss) by component, net of tax for 2014 (in thousands):

	Unrealized Gains and Losses on Available-for-sale Securities
December 31, 2014	
Beginning balance	$ (171)
Other comprehensive income before reclassification	800
Amounts reclassified from accumulated other comprehensive income	(430)
Net current period other comprehensive income	370
Ending balance	**$ 199**

The following is significant amounts reclassified out of each component of accumulated other comprehensive income for the year ending December 31, 2015 (in thousands):

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in The Statement Where Net Income is Presented
Unrealized gains and losses on available-for-sale securities	$ 405	Gains on securities transactions
	(151)	Tax expense
Total reclassification for the period	**$ (254)**	**Net of tax**

The following is significant amounts reclassified out of each component of accumulated other comprehensive income for the year ending December 31, 2014 (in thousands):

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in The Statement Where Net Income is Presented
Unrealized gains and losses on available-for-sale securities	$ 716	Gains on securities transactions
	(286)	Tax expense
Total reclassification for the period	**$ (430)**	**Net of tax**