GREATER HUDSON BANK

Financial Report

December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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, 2017

GREATER HUDSON BANK

STATEMENTS OF FINANCIAL CONDITION
December 31, 2016 and 2015
(Dollar amounts in thousands, except per share data)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 19,225	$ 17,993
Securities available for sale	144,433	127,460
Loans, net of allowance for loan losses of $4,746 and $3,555 as of December 31, 2016 and 2015, respectively	327,428	278,993
Premises and equipment	1,400	1,063
Restricted investments in bank stock	2,413	2,216
Bank owned life insurance	5,043	-
Accrued interest receivable	1,851	1,677
Other assets	3,808	3,299
Total Assets	**$ 505,601**	**$ 432,701**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 78,999	$ 54,162
Interest bearing	319,162	285,849
Total Deposits	**398,161**	**340,011**
Securities sold under agreements to repurchase	5,000	5,000
Federal Home Loan Bank ("FHLB") advances	44,624	40,334
Other liabilities	2,844	3,004
Total Liabilities	**450,629**	**388,349**
Shareholders' Equity		
Common stock, $0.01 par value, 20,000,000 shares authorized; 12,324,810 shares issued and 12,323,770 shares outstanding in 2016; 10,026,060 shares issued and 10,024,450 shares outstanding in 2015	123	100
Additional paid-in capital	46,737	37,547
Retained earnings	9,285	6,900
Treasury stock at cost, 1,040 shares as of 2016; 1,610 shares as of 2015	(4)	(6)
Accumulated other comprehensive loss	(1,169)	(189)
Total Shareholders' Equity	**54,972**	**44,352**
Total Liabilities and Shareholders' Equity	**$ 505,601**	**$ 432,701**

See accompanying notes to the financial statements.

GREATER HUDSON BANK

STATEMENTS OF OPERATIONS
Years ended December 31, 2016 and 2015
(Dollar amounts in thousands, except per share data)

	2016	2015
Interest Income		
Loans receivable, including fees	$ 15,349	$ 14,456
Securities	2,581	2,151
Interest bearing deposits	39	38
Federal funds sold	9	2
Total Interest Income	**17,978**	**16,647**
Interest Expense		
Deposits	2,135	2,086
FHLB advances	719	654
Securities sold under agreements to repurchase	205	205
Total Interest Expense	**3,059**	**2,945**
Net Interest Income	**14,919**	**13,702**
Provision for Loan Losses	**1,196**	**238**
Net Interest Income After Provision for Loan Losses	**13,723**	**13,464**
Non-Interest Income		
Gains on securities transactions	518	405
Service charges on deposit accounts	201	193
Bank owned life insurance income	43	-
Other income	287	258
Total Non-Interest Income	**1,049**	**856**
Non-Interest Expense		
Salaries and employee benefits	5,746	5,086
Occupancy and equipment	1,493	1,552
Advertising, marketing and business development	356	327
Data processing expenses	603	578
Professional fees	634	461
Federal Deposit Insurance Corporation ("FDIC")	265	252
Other non-interest expenses	1,311	1,398
Total Non-Interest Expenses	**10,408**	**9,654**
Income Before Tax Expense	**4,364**	**4,666**
Income Tax Expense	1,363	1,489
Net Income	**$ 3,001**	**$ 3,177**
Earnings Per Share		
Basic and Diluted	$ 0.27	$ 0.32
Weighted Average Shares Outstanding Basic and Diluted	**11,243,007**	**10,024,701**

See accompanying notes to the financial statements.

GREATER HUDSON BANK

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2016 and 2015

(Dollar amounts in thousands)

	2016	2015
Net income	$ 3,001	$ 3,177
Other comprehensive loss:		
Unrealized holding losses arising during the period	(967)	(214)
Reclassification adjustment for net gains included in net income	(518)	(405)
Change in unrealized net losses	(1,485)	(619)
Tax effect	505	231
Total other comprehensive loss	(980)	(388)
Total comprehensive income	**$ 2,021**	**$ 2,789**

See accompanying notes to the financial statements.

GREATER HUDSON BANK

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2016 and 2015

(Dollar amounts in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2015	**$ 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**
Net income	-	-	3,001	-	-	3,001
Other comprehensive loss	-	-	-	-	(980)	(980)
Issuance of 2,298,750 shares of common stock	23	9,171	-	-	-	9,194
Issuance of restricted stock	-	(6)	-	6	-	-
Forfeiture of restricted stock	-	4	-	(4)	-	-
Dividends	-	-	(616)	-	-	(616)
Stock based compensation expense	-	21	-	-	-	21
Balance at December 31, 2016	**$ 123**	**$ 46,737**	**$ 9,285**	**$ (4)**	**$ (1,169)**	**$ 54,972**

See accompanying notes to the financial statements.

GREATER HUDSON BANK
STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015
(Dollar amounts in thousands)

	2016	2015
Cash flows from operating activities		
Net income	$ 3,001	$ 3,177
Adjustments to reconcile net income to net cash used in operating activities		
Provision for loan losses	1,196	238
Depreciation and amortization	358	447
Net amortization of securities premium	475	390
Deferred income tax expense	(561)	54
Net realized gain on sale of securities	(518)	(405)
Income from bank owned life insurance	(43)	-
Net change in accrued interest receivable and other assets	383	(142)
Net change in accrued interest payable and other liabilities	(160)	(542)
Stock compensation expense	21	31
Net cash provided by operating activities	**4,152**	**3,248**
Cash flows from investing activities		
Purchases of securities available for sale	(83,023)	(68,372)
Calls, maturities and principal repayments on securities available for sale	43,942	28,084
Proceeds from sales of securities available for sale	20,666	25,328
Net increase in loans	(49,631)	(25,792)
Purchases of premises and equipment	(695)	(473)
Purchase of bank owned life insurance	(5,000)	-
Redemption (purchase) of restricted bank stock	(197)	513
Net cash used in investing activities	**(73,938)**	**(40,712)**
Cash flows from financing activities		
Net change in deposits	58,150	23,035
Repayment of FHLB advances	(7,260)	(3,179)
Proceeds from FHLB advances	11,550	16,200
Proceeds from issuance of common stock	9,194	-
Dividends paid	(616)	-
Net cash provided by financing activities	**71,018**	**36,056**
Net change in cash and cash equivalents	**1,232**	**(1,408)**
Beginning cash and cash equivalents	**17,993**	**19,401**
Ending cash and cash equivalents	**$ 19,225**	**$ 17,993**
Supplemental cash flow information:		
Interest paid	$ 3,181	$ 3,038
Taxes paid	2,006	2,065

See accompanying notes to the 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 the Bank is subject to regulation, supervision and examination by the New York State Department of Financial Services (“NYSDFS”) and the FDIC.

Capital Raise: In June of 2016, the Bank raised $9,194,000 of capital through the issuance of 2,298,750 shares of common stock in a private placement.

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through March 10, 2017, which is the date the financial statements were available to be issued.

Use of Estimates: The preparation of financial statements in conformity with U.S. 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.

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.

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 costs, net 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 Real Estate 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, 2016, 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, 2016 and 2015, are presented in the recorded investment in nonaccrual loans table, which is presented in Note 3.

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.

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.

(Continued)

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 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 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.

Bank Owned Life Insurance: The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

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

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.

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.

(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income: 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 and 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.

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.

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.

Recent Accounting Pronouncements: In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers.” The objective of this amendment is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are in the scope of other standards. In August 2015, the FASB issued ASU 2015-14 to defer for one year the effective date of the new revenue standard. During 2016, the FASB issued further implementation guidance regarding revenue recognition. This additional guidance included clarification on certain principal versus agent considerations within the implementation of the guidance as well as clarification related to identifying performance obligations and licensing, assessing collectability, presenting sales taxes, measuring noncash consideration, and certain transition matters. The requirements are effective for annual periods beginning after December 15, 2017. The Bank does not expect the adoption of this guidance will have a significant impact on the Bank’s financial statements.

In February 2016, the FASB issued ASU 2016-02, which will require organizations that lease assets – referred to as “lessees” – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize right to use assets and lease liabilities for leases with lease terms of more than 12 months. However, unlike current Generally Accepted Accounting Principles (GAAP) – which requires only capital leases to be recognized on the balance sheet – the new ASU will require both types of leases to be recognized on the balance sheet. The accounting by organizations that own the assets leased by the lessee – also known as lessor accounting – will remain largely unchanged from current GAAP. However, the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model. The requirements are effective for annual periods beginning after December 15, 2018. The Bank is currently evaluating the impact of adoption of this standard.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which will significantly change how banks measure and recognize credit impairment for many financial assets from an incurred loss methodology to a current expected credit loss model. The current expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. The FASB also made targeted amendments to the current impairment model for available-for-sale debt securities. The requirements are effective for annual periods beginning after December 15, 2020. The Bank is currently evaluating the impact of adoption of this standard.

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, 2016				
U.S. Government agency securities	$ 51,035	$ 14	$ (939)	$ 50,110
Corporate securities	10,744	115	(6)	10,853
Obligations of states and political subdivisions	25,241	55	(96)	25,200
Mortgage-backed securities (“MBSs”)	41,893	51	(650)	41,294
Collateralized mortgage obligations (“CMOs”)	15,561	4	(289)	15,276
Asset-backed securities	1,730	-	(30)	1,700
	$ 146,204	$ 239	$ (2,010)	$ 144,433
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	34,436	74	(311)	34,199
Collateralized mortgage obligations	11,875	6	(202)	11,679
Asset-backed securities	153	-	(2)	151
	$ 127,746	$ 432	$ (718)	$ 127,460

(Continued)

NOTE 2 – SECURITIES (Continued)

As of December 31, 2016 and 2015, the Bank had no securities classified as held to maturity.

At December 31, 2016, securities with amortized cost of $127,559,000 and fair value of $125,755,000 were pledged to secure public funds on deposit and borrowings at PNC Bank and advances from the FHLBNY. At December 31, 2015, securities with amortized cost of $110,013,000 and fair value of $109,797,000 were pledged to secure public funds on deposit and borrowings at PNC Bank and advances from the FHLBNY.

During the year ended December 31, 2016, the Bank sold twenty-three available for sale securities with gross proceeds of $20,666,000 for a gain of $518,000. 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 years ended December 31, 2016 and 2015.

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, 2016						
U.S. Government agency securities	$ 45,090	$ (939)	$ -	$ -	$ 45,090	$ (939)
Corporate securities	1,992	(6)	-	-	1,992	(6)
Obligations of states and political subdivisions	13,798	(96)	-	-	13,798	(96)
MBSs	33,477	(619)	1,543	(31)	35,020	(650)
CMOs	13,354	(245)	1,321	(44)	14,675	(289)
Asset-backed securities	1,700	(30)	-	-	1,700	(30)
	$ 109,411	$ (1,935)	$ 2,864	$ (75)	$ 112,275	$ (2,010)
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	25,332	(256)	2,809	(55)	28,141	(311)
CMOs	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)

At December 31, 2016, unrealized losses involved thirty-seven U.S. Government agency securities, two corporate bonds, twenty-seven MBSs, twenty-three CMOs, thirty-six obligations of state and political subdivisions, and three asset-backed securities. 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. 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016, 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	$ 10,384	$ 10,385
Over one year through five years	62,385	61,610
Over five years through ten years	13,329	13,244
Over ten years	922	924
MBSs	41,893	41,294
CMOs	15,561	15,276
Asset-backed securities	1,730	1,700
	$ 146,204	$ 144,433

NOTE 3 – LOANS

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

	2016	2015
Real estate		
Commercial	$ 157,127	$ 128,000
Land acquisition and construction	69,645	61,110
Other	34,656	20,251
Commercial	71,531	73,698
Consumer	219	364
Total	**333,178**	**283,423**
Allowance for loan losses	(4,746)	(3,555)
Deferred loan fees and costs, net	(1,004)	(875)
Loans, net	**$ 327,428**	**$ 278,993**

The following tables present the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2016 and 2015 (in thousands):

	Real Estate					
	Commercial	Land Acquisition and Construction	Other	Commercial	Consumer	Total
December 31, 2016						
Allowance for loan losses:						
Beginning balance	$ 1,514	$ 733	$ 191	$ 1,116	$ 1	$ 3,555
Provision for loan losses	459	163	70	497	7	1,196
Loans charged-off	-	-	-	-	(7)	(7)
Recoveries	-	-	-	2	-	2
Total ending allowance balance	**$ 1,973**	**$ 896**	**$ 261**	**$ 1,615**	**$ 1**	**$ 4,746**
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**

(Continued)

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, 2016 and 2015 (in thousands):

	Real Estate					
	Commercial	Land Acquisition and Construction	Other	Commercial	Consumer	Total
December 31, 2016						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 155	$ -	$ 24	$ 735	$ -	$ 914
Collectively evaluated for impairment	1,818	896	237	880	1	3,832
Total ending allowance balance	**$ 1,973**	**$ 896**	**$ 261**	**$ 1,615**	**$ 1**	**$ 4,746**
December 31, 2016						
Loans:						
Loans individually evaluated for impairment	$ 5,727	$ 3,303	$ 701	$ 9,496	$ -	$ 19,227
Loans collectively evaluated for impairment	151,400	66,342	33,955	62,035	219	313,951
Total ending loans balance	**$ 157,127**	**$ 69,645**	**$ 34,656**	**$ 71,531**	**$ 219**	**$ 333,178**
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**

(Continued)

NOTE 3 – LOANS (Continued)

The following table presents information related to impaired loans by class of loans as of and for the year ended December 31, 2016 and 2015 (in thousands):

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Cash Basis Interest Recognized
December 31, 2016					
With no related allowance recorded					
Real estate					
Commercial	$ 4,781	$ 4,781	$ -	$ 5,450	$ 234
Land acquisition and construction	3,303	3,303	-	3,931	255
Home equity	110	111	-	193	4
Residential / multifamily	583	566	-	334	25
Commercial	5,519	5,509	-	2,492	228
With an allowance recorded					
Real estate					
Commercial	955	946	155	243	42
Home equity	24	24	24	26	1
Commercial	4,020	3,987	735	1,419	130
Total	**$ 19,295**	**$ 19,227**	**$ 914**	**$ 14,088**	**$ 919**
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**

(Continued)

NOTE 3 – LOANS (Continued)

There were no additional funds committed to be advanced on impaired loans as of December 31, 2016 and 2015.

Subsequent to December 31, 2016, the Bank completed foreclosure proceedings on the primary real estate collateral of an impaired commercial real estate loan with a recorded investment of $2,700,000 as of December 31, 2016. This loan has no allowance for loan loss allocated as of December 31, 2016.

The following tables present the recorded investment in nonaccrual loans by class of loans as of December 31, 2016 and 2015 (in thousands):

	Nonaccrual	
	2016	**2015**
Real estate		
Commercial	$ 2,794	$ 2,709
Home equity	24	28
Residential / multifamily	308	260
Commercial	4,851	188
Total	**$ 7,977**	**$ 3,185**

There were no loans past due over 90 days still on accrual for the years ended December 31, 2016 and 2015.

As of December 31, 2016, the Bank has two impaired commercial loans to one borrower with a recorded investment of $3,720,000 that are considered impaired with an allowance for loan losses allocation of $636,000. As of December 31, 2016 these loans continue to be accruing as they are less than 90 days past due and the allowance for loan losses allocation is based on the illiquid marketplace for the underlying collateral.

NOTE 3 – LOANS (Continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2016 and 2015, 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, 2016						
Real estate						
Commercial	$ 728	$ 1,075	$ 2,794	$ 4,597	$ 152,530	$ 157,127
Land acquisition and construction	1,157	-	-	1,157	68,488	69,645
Home equity	-	-	-	-	7,073	7,073
Residential / multifamily	-	-	69	69	27,514	27,583
Commercial	100	-	4,695	4,795	66,736	71,531
Consumer	-	-	-	-	219	219
Total	**$ 1,985**	**$ 1,075**	**$ 7,558**	**$ 10,618**	**$ 322,560**	**$ 333,178**
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**

NOTE 3 – LOANS (Continued)

Troubled Debt Restructurings

The Bank has $24,311 in reserves allocated to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2016. Total troubled debt restructurings as of December 31, 2016 were $9,777,000, of which $6,591,000 were performing and $3,186,000 were non-performing. The Bank has no commitments to lend additional amounts as of December 31, 2016 to customers with outstanding loans that are classified as 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. 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. The Bank has no commitments to lend additional amounts as of December 31, 2015, to customers with outstanding loans that are classified as troubled debt restructurings.

During the years ending December 31, 2016 and 2015, 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, 2016 (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	-	-	-
Home equity	1	98	98
Residential / multifamily	1	264	264
Commercial	-	-	-
Total	**2**	**$ 362**	**$ 362**

Subsequent to December 31, 2016, the Bank entered into a forbearance agreement with a borrower in relation to seven impaired commercial loans with a total recorded investment of $4,241,000 that had no allowance for loan losses allocated as of December 31, 2016. The Bank determined that the modified terms of the seven loans, which included a reduction in monthly principal and interest payments for a period of three years, constituted a troubled debt restructuring. These seven loans were classified by the Bank as troubled debt restructurings in January 2017 and are not reflected in the table above. There was no change to the outstanding recorded investment and there were no additional reserves allocated in, or charge-offs to, the allowance for loan losses as a result of the troubled debt restructuring classification.

NOTE 3 – LOANS (Continued)

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	1,000	1,000
Home equity	1	28	28
Residential / multifamily	1	241	260
Commercial	2	1,125	1,125
Total	**5**	**$ 2,394**	**$ 2,413**

The troubled debt restructurings described above resulted in an increase of $24,311 to the allowance for loan losses during the year ending December 31, 2016. 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 in no charge offs during the years ending December 31, 2016 and 2015.

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, 2016 and 2015.

The terms of certain other loans were modified during the years ending December 31, 2016 and 2015, that did not meet the definition of a troubled debt restructuring. These loans have a total recorded investment as of December 31, 2016 and 2015, of $13,519,000 and $17,080,000, 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.

(Continued)

NOTE 3 – LOANS (Continued)

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, 2016					
Real estate					
Commercial	$ 152,111	$ 868	$ 4,148	$ -	$ -
Land acquisition and construction	64,668	-	4,977	-	-
Home equity	6,938	-	135	-	-
Residential / multifamily	27,104	-	479	-	-
Commercial	61,935	100	9,496	-	-
Consumer	87	-	-	-	132
Total	**$ 312,843**	**$ 968**	**$ 19,235**	**$ -**	**$ 132**
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**

The Bank did not purchase any credit impaired loans in 2016 and 2015.

NOTE 4 – PREMISES AND EQUIPMENT

Premises and Equipment as of December 31, 2016 and 2015, are as follows (in thousands):

	2016	2015
Leasehold improvements	$ 977	$ 817
Furniture, fixtures and equipment	1,988	1,569
	2,965	**2,386**
Accumulated depreciation	(1,565)	(1,323)
	$ 1,400	**$ 1,063**

The amount charged to depreciation expense was approximately $358,000 and $447,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE 5 – DEPOSITS

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

	2016	2015
Noninterest bearing demand	$ 78,999	$ 54,162
Interest bearing demand	5,600	6,416
Money market	203,728	160,694
Savings	35,665	36,696
Time deposits	74,169	82,043
	$ 398,161	$ 340,011

Scheduled maturities of time deposits at December 31, 2016, were as follows (in thousands):

2017	$ 25,453
2018	39,364
2019	5,588
2020	3,651
2021	113
Thereafter	-
	$ 74,169

At December 31, 2016 and 2015, time deposits that meet or exceed the FDIC insurance limit of $250,000 totaled $11,824,000 and $15,477,000, respectively.

NOTE 6 – BORROWINGS AND LINES OF CREDIT

At December 31, 2016 and 2015, the Bank had one repurchase agreement outstanding totaling $5,000,000. 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 13, 2017. For 2016 and 2015, 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 $6,000,000 and fair value of $5,922,000 as of December 31, 2016 and a carrying amount of $5,975,000 and fair value of $5,987,000 as of December 31, 2015.

At December 31, 2016, the Bank had fixed rate term and amortizing advances with the FHLBNY totaling $44,624,000 at a weighted average interest rate of 1.73%. The advances are set to mature from January 2017 to December 2031 and have fixed rates ranging from 0.78% to 2.96%. For 2016, the maximum balance of the advances was $44,624,000 and the average balance was $39,223,000. These advances were collateralized by securities with an aggregate carrying value and estimated fair value of approximately $58,934,000 and $58,025,000, respectively. The Bank also had $78,658,000 in pledged loans available to collateralize borrowings.

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.

NOTE 6 – BORROWINGS AND LINES OF CREDIT (Continued)

As of December 31, 2016, the Bank's payments for FHLBNY term and amortizing advances are as follows (in thousands):

2017	$ 12,348
2018	5,356
2019	8,300
2020	10,152
2021	2,155
Thereafter	6,313
	$ 44,624

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 $450,000. 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, 2016 and 2015.

NOTE 7 – OPERATING LEASES

The Bank leases office space for use as administrative and branch offices in Bardonia, Monroe and Tarrytown, New York, and branch offices in Middletown, Warwick and White Plains, New York. Rental expense totaled approximately $531,000 and $554,000 for the years ended December 31, 2016 and 2015, respectively.

At December 31, 2016, the minimum rental commitments required under the leases are as follows (in thousands):

2017	$ 615
2018	577
2019	469
2020	349
2021	360
Thereafter	1,145
	$ 3,515

NOTE 8 – INCOME TAXES

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

	2016	2015
Current		
Federal	$ 1,692	$ 1,380
State	184	-
	1,876	**1,380**
Deferred		
Federal	(511)	137
State	(50)	(83)
	(561)	**54**
Valuation allowance	48	55
Income tax expense	**$ 1,363**	**$ 1,489**

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):

	2016		2015	
	Amount	**% of Pre-Tax Income**	**Amount**	**% of Pre-Tax Income**
Federal income tax at statutory rate	$ 1,483	34.0%	$ 1,586	34.0%
State income tax, net of federal benefit	22	0.5	(55)	(1.2)
Valuation allowance	48	1.1	55	1.2
Tax-exempt income, net	(127)	(2.9)	(109)	(2.3)
Other	(63)	(1.5)	12	0.2
Effective income tax (rate)	**$ 1,363**	**31.2%**	**$ 1,489**	**31.9%**

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

	2016	2015
Deferred tax assets		
Net operating losses carried forward	$ 1,702	$ 1,699
Allowance for loan losses	1,766	1,196
Unrealized losses on securities available for sale	602	98
Other	460	242
Total deferred tax assets	**4,530**	**3,235**
Deferred tax liabilities		
Depreciation	(126)	(151)
Other	(268)	(13)
Total deferred tax liabilities	**(394)**	**(164)**
Valuation allowance	(454)	(406)
Net deferred tax assets	**$ 3,682**	**$ 2,665**

(Continued)

NOTE 8 – INCOME TAXES (Continued)

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 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	$ 515
2025	1,456
2026	1,171
2027	365
2028	400
Total	**$ 3,907**

At December 31, 2016, 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, 2016 and 2015, 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, 2016 and 2015, and no amounts accrued for penalties as of December 31, 2016 and 2015.

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 2013.

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.

Contributions that the Bank may make, including matching contributions, are discretionary. In 2016 and 2015, the Bank’s matching contributions totaled approximately $123,000 and $127,000, respectively.

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 regulations establish a framework for the classification of institutions into five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

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. Under the new capital rules, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization must hold a capital conservation buffer composed of common equity Tier 1 capital above its minimum risk based capital requirements. The buffer is measured relative to risk-weighted assets. Effective January 1, 2016, an additional capital conservation buffer of 0.625% will be added annually to the minimum requirements for capital adequacy purposes, and will be fully phased in on January 1, 2019, at 2.5% The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

Management believes as of December 31, 2016, the Bank meets all capital adequacy requirements to which it is subject. At year end December 31, 2016 and 2015, 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.

The Bank's actual capital ratios as of December 31, 2016, 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		Minimum Capital Adequacy		Minimum Capital Adequacy with Capital Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
2016								
Common equity tier 1	$ 54,813	13.8%	$ 17,840	≥4.50%	$ 20,317	≥5.125%	$ 25,768	≥6.50%
Tier 1 capital	54,813	13.8	23,786	≥6.00	26,264	≥6.625	31,715	≥8.00
Total capital	59,778	15.1	31,715	≥8.00	34,193	≥8.625	39,644	≥10.00
Tier 1 (leverage) capital	54,813	11.4	19,204	≥4.00	N/A	N/A	24,005	≥5.00

(Continued)

NOTE 10 – CAPITAL REQUIREMENTS (Continued)

The Bank's actual capital ratios as of December 31, 2015, 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						
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
Tier 1 leverage ratio (to average assets)	43,093	10.0	17,245	≥4.0	21,557	≥5.0

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, 2016, the Bank met regulatory guidelines necessary to pay dividends. Net income available to pay dividends totaled $7,720,000 as of December 31, 2016, with the maximum allowable dividend under regulatory guidelines equal to the Bank's retained earnings of $9,285,000. 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.

In 2016, a dividend in the amount $0.05 per share was paid to shareholders of record as of December 9, 2016, on December 23, 2016. No dividends were paid in 2015.

NOTE 12 – RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, significant stockholders, and their affiliates at December 31, 2016, were $3,620,000, of which $3,120,000 was outstanding and $500,000 was in unused lines of credit. 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.

The Bank held related party deposits of approximately $18,327,000 and $12,995,000 at December 31, 2016 and 2015, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS (Continued)

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 an escalating branch and loan office space amount beginning at approximately $97,000 per year and ending at approximately $102,000 per year through the term of the lease ending February 2022 and an escalating Finance/IT office space amount beginning at approximately $38,000 per year and ending at approximately $42,000 per year through the term of the lease ending September 2025. The rent expense for the Bardonia lease amounted to $155,000 for each of the years ended December 31, 2016 and 2015. The rent expense for the Monroe leases amounted to $129,000 and $95,000 for the years ended December 31, 2016 and 2015. The Bank has renewal options for another 5 years on the Bardonia and Monroe branch and loan office space leases.

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, 2016 and 2015, were as follows (in thousands):

	2016	2015
Commitment to originate loans	$ 51,163	$ 23,089
Standby letters of credit	2,392	2,423
Undisbursed construction loans	14,762	30,780
Unused credit lines	28,313	27,874
	$ 96,630	**$ 84,166**

NOTE 14 – STOCK BASED COMPENSATION

Share Award Plan: The Bank's 2011 Restricted Stock Plan permits the Bank to grant up to 50,000 shares of restricted stock. As of December 31, 2016, the Bank has granted 40,695 shares under the 2011 Restricted Stock Plan and there are 9,305 shares available to be granted. The Bank's 2016 Restricted Stock Plan permits the Bank to grant up to 100,000 shares of restricted stock. As of December 31, 2016, the Bank has not granted any shares under the 2016 Restricted Stock Plan and there are 100,000 shares available to be granted.

All shares vest over five years. 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 the issue date. Total compensation cost that has been charged against income was $21,000 and $31,000 for 2016 and 2015, respectively. The total income tax benefit was $7,000 and $10,500 for 2016 and 2015. 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, 2016	21,565	$ 3.96
Granted	1,500	4.10
Vested	(6,935)	4.18
Forfeited	(930)	4.31
Nonvested at December 31, 2016	**15,200**	**$ 3.86**

As of December 31, 2016, there was $45,000 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 2.3 years. The total fair value of shares vested during the years ended December 31, 2016 and 2015, was $28,000 and $20,700, 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. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

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.

(Continued)

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)
2016			
Assets:			
Available for sale securities			
U.S. Government agency	$ -	$ 50,110	$ -
Corporate securities	-	10,853	-
Obligations of states and political subdivisions	-	25,200	-
MBSs - residential	-	41,294	-
CMOs – residential	-	15,276	-
Asset-backed securities	-	1,700	-
Total Available for Sale Securities	**$ -**	**$ 144,433**	**$ -**
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	**$ -**	**$ 127,460**	**$ -**

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)
2016			
Assets:			
Impaired loans			
Real estate			
Commercial	$ -	$ -	$ 791
Commercial	-	-	3,252
2015			
Assets:			
Impaired loans			
Real estate			
Commercial	$ -	$ -	$ 5
Residential / multifamily	-	-	248
Commercial	-	-	186

At December 31, 2016, impaired loans, which are measured for impairment using the fair value of the collateral for collateral-dependent loans, had a net carrying amount of $4,957,000 with a valuation allowance of $914,000, resulting in an additional provision for loan losses of $619,000.

At December 31, 2015, impaired loans, which are measured for impairment using the fair value of the collateral for collateral-dependent loans, had a net carrying amount of $496,000 with a valuation allowance of $57,000, resulting in an additional provision for loan losses of $22,000.

NOTE 15 – FAIR VALUE (Continued)

Estimated fair values of financial instruments at December 31, 2016, were as follows (in thousands):

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
December 31, 2016				
Financial assets				
Cash and due from banks	$ 19,225	$ 19,225	$ -	$ -
Securities available for sale	144,433	-	144,433	-
Restricted bank stock	2,413	N/A	N/A	N/A
Loans receivable, net	327,428	-	-	330,369
Accrued interest receivable	1,851	128	394	1,329
Financial liabilities				
Deposits	$ 398,161	$ 323,992	$ 74,199	$ -
Securities sold under agreements to repurchase	5,000	-	5,031	-
FHLB advances	44,624	-	44,957	-
Accrued interest payable	420	37	383	-

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

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
December 31, 2015				
Financial assets				
Cash and due from banks	$ 17,993	$ 17,993	$ -	$ -
Securities available for sale	127,460	-	127,460	-
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
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	-

(Continued)

NOTE 15 – FAIR VALUE (Continued)

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.

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 LOSS

The following is a summary of accumulated other comprehensive loss by component, net of tax for 2016 (in thousands):

	Unrealized Losses on Available-for-sale Securities
December 31, 2016	
Beginning balance	$ (189)
Other comprehensive loss before reclassification	(638)
Amounts reclassified from accumulated other comprehensive loss	(342)
Net current period other comprehensive loss	(980)
Ending balance	**$ (1,169)**

The following is a summary of accumulated other comprehensive 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 loss before reclassification	(134)
Amounts reclassified from accumulated other comprehensive loss	(254)
Net current period other comprehensive loss	(388)
Ending balance	**$ (189)**

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE LOSS (Continued)

The following is significant amounts reclassified out of each component of accumulated other comprehensive loss for the year ending December 31, 2016 (in thousands):

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified From Accumulated Other Comprehensive Loss	Affected Line Item in the Statement of Operations
Unrealized gains on available-for-sale securities	$ 518	Gains on securities transactions
	(176)	Income Tax expense
Total reclassification for the period	**$ (342)**	**Net of tax**

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

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