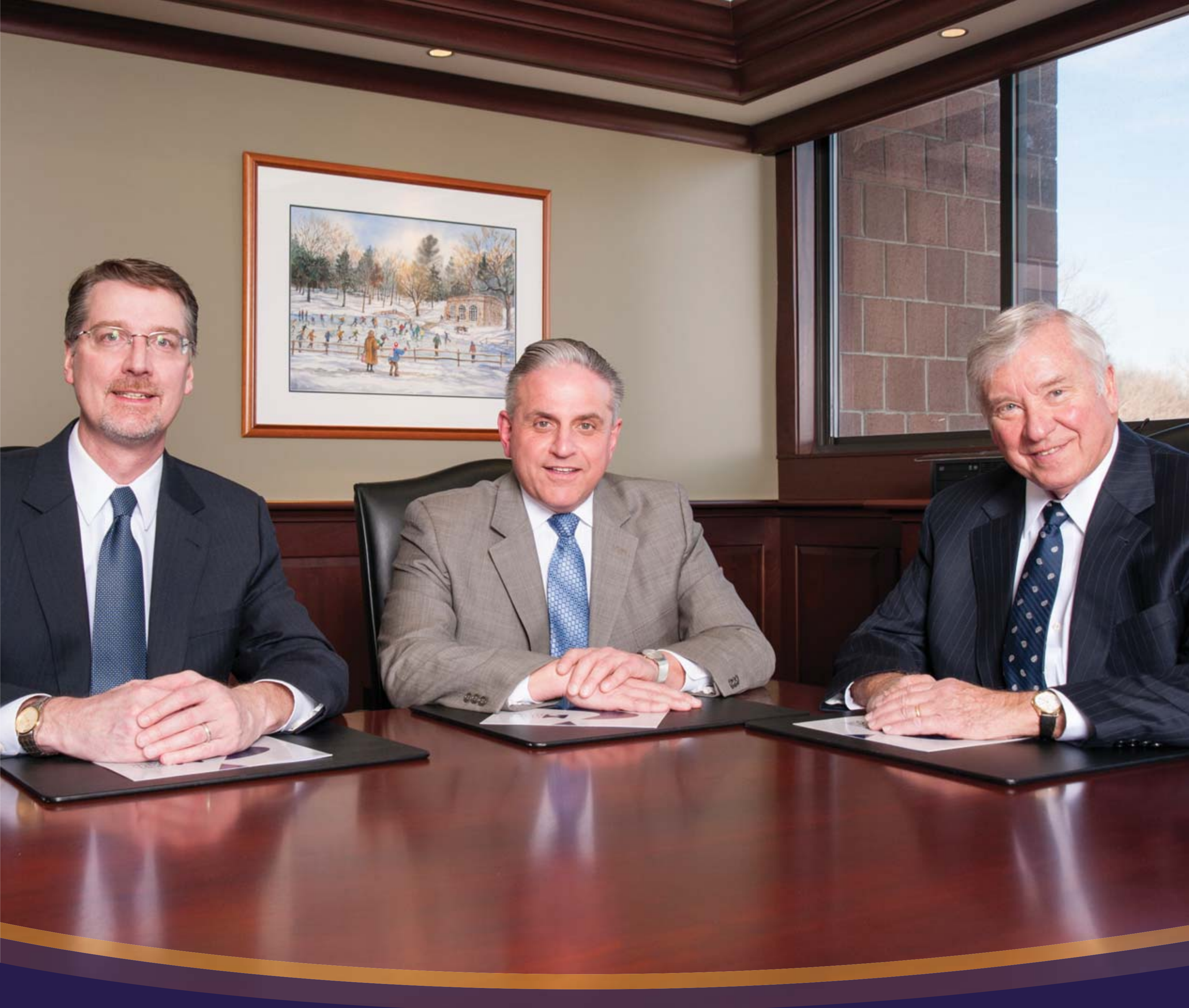
ES
BANCSHARES, INC.

WE TAKE YOUR BUSINESS PERSONALLY

2015 ANNUAL REPORT



Thomas Sperzel
President and COO

Philip Guarnieri
Chief Executive Officer

David Freer, Jr.
Chairman

Thomas Sperzel, President and COO, Philip Guarnieri, CEO, and David Freer, Jr., Chairman, are at the forefront of creating shareholder value for ES Bancshares, Inc. customers in the Hudson Valley, Staten Island and Brooklyn.

March 30, 2016

Dear Shareholder:

We are pleased to submit our 2015 Annual Report to Shareholders of ES Bancshares, Inc. and its subsidiary, Empire State Bank. In 2015 we continued to focus on core earnings and balance sheet growth with the understanding that these elements are the foundation of building shareholder value.

It was a year of exciting beginnings as we welcomed the Brooklyn community into our family by opening a full service branch in the Bay Ridge section and grew it in excess of $20 million in deposits. We are particularly excited about our expanding banking presence in Brooklyn and the warm reception we have received from this community. It was also a year in which we congratulated the Company's Chairman on a successful tenure and a well-deserved retirement.

The Company's focus on its core business was at the root of financial performance during 2015. The transition of management led to certain one-time restructuring charges experienced during the year. Excluding these one-time charges the Company grew net income before taxes by $152 thousand, or 25.6%. The driver of this increase is growth in interest income from the loan portfolio of $628 thousand, or 9.8%. The Company was able to achieve this growth in core earnings while overcoming the costs associated with the opening of a new branch facility, as well as the costs associated with a full core banking platform conversion. This core banking conversion is key to the Company positioning itself to offer state of the art web-based and mobile banking solutions in a new era of banking.

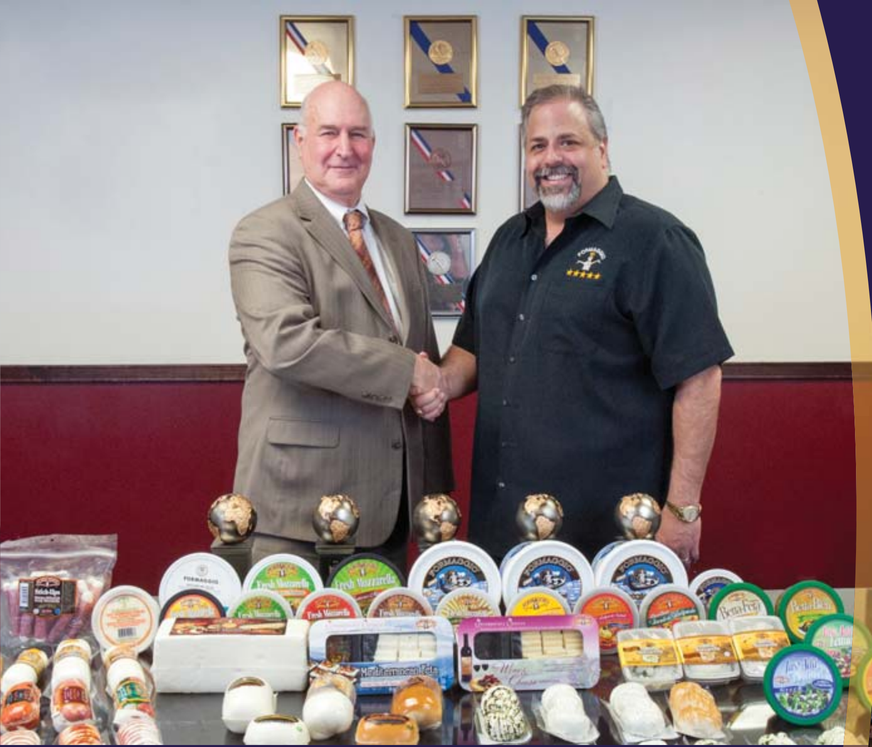
The growth in core earnings was accomplished by a simple formula- continued growth in both core deposits and the loan portfolio. During 2015 total deposits grew by $11.7 million, or 8%. Non-interest bearing deposits grew by a total of $13.4 million, or 38.8%. The initiative to grow non-interest bearing deposits is a top priority in the Company's overall strategy. At the same time, total loans receivable increased by $26.5 million, or 18.8%. This was accomplished by building on the Company's position as a bank of choice within the markets it serves.

For the past four years, the Company has continued to focus on being an active SBA lender. These government guaranteed loans are a core product and are essential to the strategy of offering a relevant suite of products to our core customers- small businesses within our communities. We are pleased to inform you that 2015 was a record year for originations in this product, and as a result, the Company was awarded the 2015 Bronze Medal Award by the SBA New York District Office for excellence in providing capital to small businesses using the Small Business Administration's lending programs. This positioning furthers the goal of recognition in the marketplace as a true small business-oriented commercial bank and enables us to attract demand deposits.

In closing, we want to once again thank you, our shareholders, for the continued support of the Company. We assure you that management is focused on the goal of enhancing shareholder value through execution of our business banking strategy, and together with our commitment to community and customers, all decisions are made with this in mind.

Sincerely,

David Freer, Jr.	**Philip Guarnieri**	**Thomas Sperzel**
Chairman	Chief Executive Officer	President and COO



Formaggio Cheese/Mongiello Italian Cheese Specialties, Inc., Sullivan County

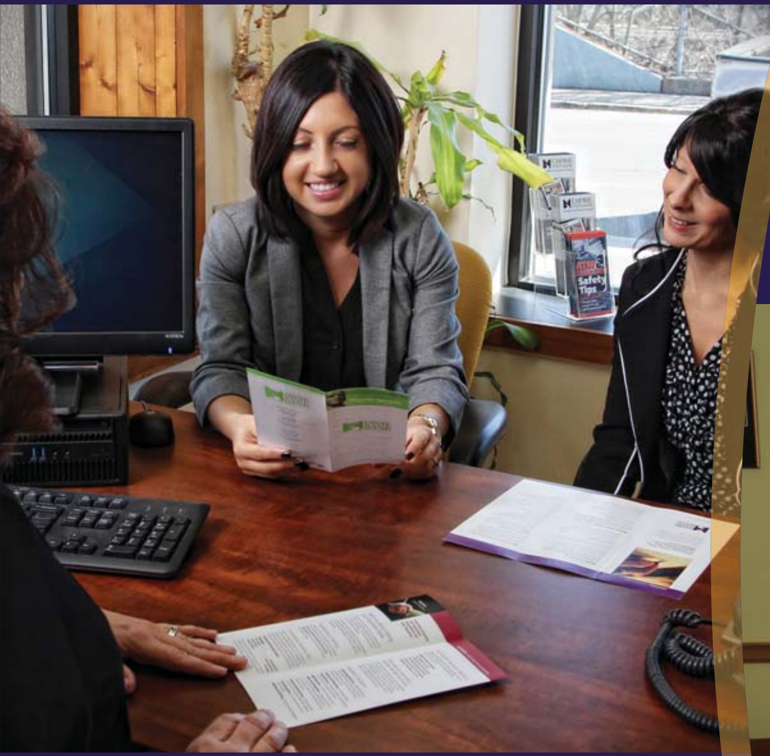
Steve Drobysh, Sr. Vice President of Empire State Bank, with Anthony Mongiello, CEO of Formaggio Cheese.

Partnering to distribute their leading food products throughout the USA and beyond.

Manhattan Wines & Spirits Merchants, Inc.

Jeanne Sarno, First Vice President of Empire State Bank, with Parita Patel, President of Manhattan Wines and Spirits, and Navin Patel, Manager of Manhattan Wines and Spirits.

Delivering high quality wine & spirits from Staten Island to Manhattan.



Millennium Medical Billing, LLC

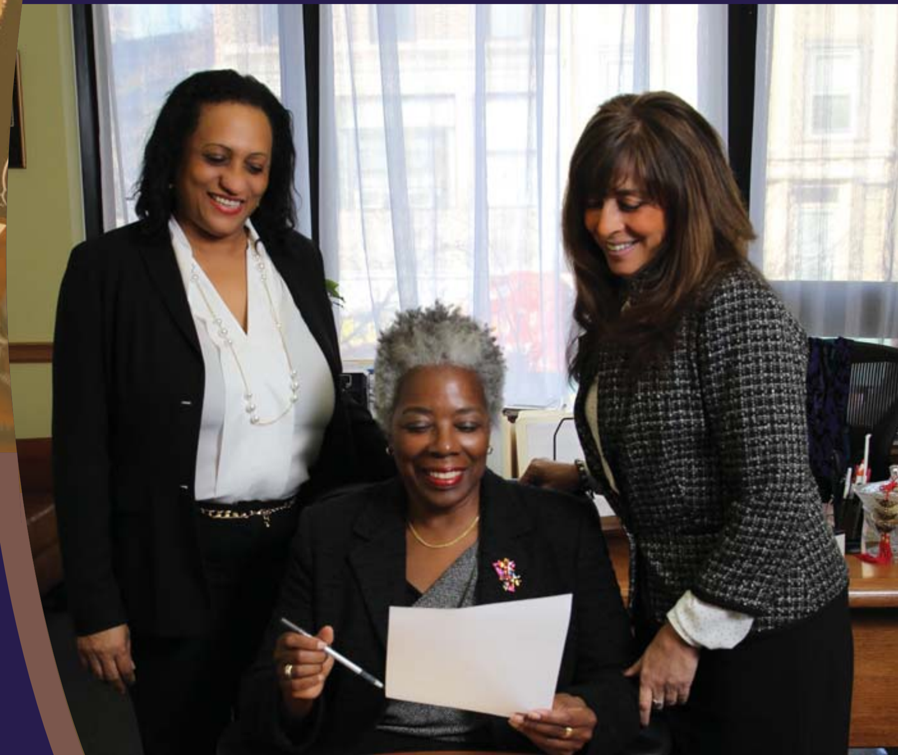
Theresa Pommerenk, AVP Branch Manager of Empire State Bank, with Danielle Buchell and Jane Calder, Co-Owners of Millennium Medical Billing.

Handling medical practices' billing needs across the United States.

Penda Aiken, Inc.

Annmarie Mitchell and JoAnn Libretti, Vice Presidents of Empire State Bank, with Penda Aiken, President of Penda Aiken.

Working together to support the success of our communities.



Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ES Bancshares, Inc.
Newburgh, New York

We have audited the accompanying consolidated financial statements of ES Bancshares, Inc. (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in stockholders' 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company 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

New York, New York
March 23, 2016

ES BANCSHARES, INC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars In thousands)

	December 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 4,740	$ 22,723
Securities available for sale, at fair value	4,549	4,754
Securities held to maturity, at amortized cost (fair value of $12,209 and $12,603 at December 31, 2015 and December 31, 2014, respectively)	12,021	12,278
Total securities	16,570	17,032
Loans receivable	167,228	140,730
Deferred cost	684	465
Allowance for loan losses	(2,206)	(2,105)
Total loans receivable, net	165,706	139,090
Accrued interest receivable	672	592
Federal Reserve Bank stock	536	441
Federal Home Loan Bank stock	971	1,011
Goodwill	581	581
Premises and equipment, net	3,238	3,333
Real estate owned	-	149
Net deferred tax asset	2,224	2,274
Other assets	780	563
Total assets	$ 196,018	$ 187,789
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 47,878	$ 34,483
Interest bearing	110,056	111,766
Total deposits	157,934	146,249
Borrowed funds	20,427	21,487
Accrued interest payable	53	58
Other liabilities	2,269	4,688
Total liabilities	180,683	172,482
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Capital stock (par value $0.01; 5,000,000 shares authorized; 3,312,867 shares issued at Dec 31, 2015 and December 31, 2014)	33	33
Additional paid-in-capital	22,015	21,957
Accumulated deficit	(6,803)	(6,852)
Accumulated other comprehensive income	90	169
Total stockholders' equity	15,335	15,307
Total liabilities and stockholders' equity	$ 196,018	$ 187,789

See accompanying notes to financial statements

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	For the Twelve Months Ended December 31, 2015	2014
Interest and dividend income:		
Loans	$ 7,057	$ 6,429
Securities	516	561
Fed Funds and other earning assets	81	68
Total interest and dividend income	7,654	7,058
Interest expense:		
Deposits	977	884
Borrowed funds	241	265
Total interest expense	1,218	1,149
Net interest income	6,436	5,909
Provision for loan losses	70	340
Net interest income after provision for loan losses	6,366	5,569
Non-interest income:		
Service charges and fees	808	636
Net gain on sales of participating interests in loans	417	564
Recovery of certificate of deposit placement	18	17
Other	24	27
Total non-interest income	1,267	1,244
Non-interest expense:		
Compensation and benefits	3,664	3,346
Occupancy and equipment	1,000	750
Data processing service fees	466	408
Professional fees	569	530
FDIC assessment	155	129
Advertising	154	132
Insurance	120	116
Restructuring charges	556	-
Other	755	805
Total non-interest expense	7,439	6,216
Income before income taxes	194	597
Income tax expense (benefit)	145	(2,299)
Net income	$ 49	$ 2,896

See accompanying notes to financial statements.

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME
(In thousands, except per share data)

	For the Twelve Months Ended December 31,	
	2015	2014
Net income	$ 49	$ 2,896
Other comprehensive income (loss):		
Unrealized gains/losses on securities available for sale:		
Unrealized holding gain/(loss) arising during the period	(117)	2
Amortization of gain on securities reclassified to held to maturity	(15)	(17)
	(132)	(15)
Tax effect	53	4
Total other comprehensive income (loss)	(79)	(11)
Comprehensive income (loss)	$ (30)	$ 2,885

See accompanying notes to financial statements.

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Dollars in thousands, except share data)

	Capital Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2014...........	3,312,867	$ 33	$ 21,876	$ (9,748)	$ 180	$ 12,341
Stock based compensation, net.	-	-	81	-	-	81
Comprehensive income:						
Net income for the period	-	-	-	2,896	-	2,896
Other comprehensive loss	-	-	-	-	(11)	(11)
Balance at December 31, 2014.....	3,312,867	33	21,957	(6,852)	169	15,307
Stock based compensation, net.	-	-	58	-	-	58
Comprehensive loss:						
Net income for the period	-	-	-	49	-	49
Other comprehensive loss	-	-	-	-	(79)	(79)
Balance at December 31, 2015.....	3,312,867	33	22,015	(6,803)	$ 90	$ 15,335

See accompanying notes to financial statements

ES BANCSHARES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,
(Dollars in thousands)

	2015	2014
Cash flows from operating activities:		
Net income for period	$ 49	$ 2,896
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	70	340
Depreciation expense	281	181
Amortization (accretion) of deferred fees, discounts and premiums, net	(171)	78
Net gain on sales of participating interests in loans	(417)	(564)
Stock based compensation expense	58	81
Loss on impairment of real estate owned	31	8
Loss on disposal of fixed assets	52	-
Deferred income tax expense	81	2,243
Changes in assets and liabilities:		
(Increase) decrease in other assets	(290)	(4,032)
(Decrease) increase in accrued expenses and other liabilities	(2,424)	3,445
Net cash provided by (used in) operating activities	(2,680)	4,676
Cash flows from investing activities:		
Proceeds from principal payments and maturities of AFS securities	1,067	1,162
Proceeds from principal payments and maturities of HTM securities	1,800	1,636
Purchase of available for sale securities	(1,000)	-
Purchase of held-to-maturity securities	(1,570)	-
Net repayments (originations) of loans	(31,138)	(21,945)
Proceeds from sales of participating interests in loans	5,836	7,398
Purchases of loans	(748)	(5,055)
Redemption/ (purchase) of Federal Home Loan Bank stock	40	(598)
Redemption/(purchase) of Federal Reserve Bank stock	(95)	(31)
Leasehold improvements and acquisitions of capital assets, net of disposals	(238)	(1,229)
Proceeds from sale of real estate owned	118	98
Net cash provided by (used in) investing activities	(25,928)	(18,564)
Cash flows from financing activities:		
Net increase (decrease) in deposits	11,685	18,323
Proceeds of advances from line of credit & FHLB	183,505	69,000
Repayment of advances	(184,565)	(55,010)
Net cash provided by (used in) financing activities	10,625	32,313
Net increase (decrease) in cash and cash equivalents	(17,983)	18,425
Cash and cash equivalents at beginning of period	22,723	4,298
Cash and cash equivalents at end of period	$ 4,740	$ 22,723
Supplemental cash flow information		
Interest paid	$ 1,223	$ 1,143
Income taxes paid	36	20

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The consolidated financial statements include the accounts of ES Bancshares, Inc. (the "Company") and Empire State Bank (the" Bank"), the Company's wholly owned subsidiary, and the Bank's wholly owned subsidiaries, Iron Creek LLC and North Plank Realty Inc. II. The Company's financial condition and operating results principally reflect those of the Bank. All intercompany balances and amounts have been eliminated.

The Bank was organized under federal law in 2004 as a national bank regulated by the Office of the Comptroller of the Currency ("OCC"). The Bank's deposits are insured up to legal limits by the FDIC. In March 2009, the Bank converted its charter to a New York State commercial bank charter, with the New York State Department of Financial Services becoming its primary regulator.

The Bank is a full service commercial bank that offers a variety of financial services to meet the needs of communities in its market area. The Bank attracts deposits from the general public and uses such deposits to originate commercial loans, commercial revolving lines of credit and term loans including USDA and SBA guaranteed loans, commercial real estate, mortgage loans secured by one-to four-family residences and to a lesser extent construction and land loans. The Bank also invests in mortgage-backed and other securities permissible for a New York State chartered commercial bank. The Bank's primary area for deposits includes the Town of Newburgh and the Village of New Paltz, in addition to the communities surrounding those offices, and the boroughs of Staten Island and Brooklyn. The Bank's primary market area for its lending activities consists of the communities within Orange County, Ulster County, the five boroughs of New York City, and portions of Dutchess, Rockland, Putnam and Westchester Counties, New York.

Basis of Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles of the United States. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense. Actual results could differ significantly from these estimates.

Cash Flows

Cash and cash equivalents include cash, deposits with other financial institutions excluding certificates of deposit, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions.

Securities

The Company is required to report readily-marketable equity and debt securities in one of the following categories: (i) "held-to-maturity" (management has the positive intent and ability to hold to maturity), which are reported at amortized cost; (ii) "trading" (held for current resale), which are to be reported at fair value, with unrealized gain and losses included in earnings; and (iii) "available for sale" (all other debt and marketable equity securities), which are to be reported at fair value, with unrealized gains and losses reported net of taxes, as accumulated other comprehensive income, a separate component of stockholders' equity.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

The Company evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and whether management intends to sell or it is more likely than not that management would be required to sell the securities prior to their anticipated recovery.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their unpaid principal adjusted for any charge-offs, the allowance for loan losses, any deferred fees and costs on originated loans, and any unamortized premiums or discounts. Loan origination and commitment fees and certain direct loan origination costs will be deferred and the net amount amortized as an adjustment of the related loan's yield using methods that approximate the interest method over the contractual life of the loan. Loan interest income is accrued daily on outstanding balances. A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loans' existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosure unless considered troubled debt restructures. The accrual of income on all classes of loans is generally discontinued when a loan becomes more than 90 days delinquent as to principal and interest or when other circumstances indicate that collection is questionable, unless the loan is well secured and in the process of collection. Income on all classes of nonaccrual loans will be recognized only in the period in which it is collected, and only if management determines that the loan principal is fully collectable. Loans are returned to an accrual status when a loan is brought current as to principal and interest and when reasons for doubtful collection no longer exist.

We may agree to modify the contractual terms of a borrower's loan. In cases where such modifications represent a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring. Modifications as a result of a troubled debt restructuring may include, but are not limited to, interest rate modifications, payment deferrals, restructuring of payments to interest-only from amortizing and/or extensions of maturity dates. Modifications which result in insignificant payment delays and payment shortfalls are generally not classified as troubled debt restructurings. Loans modified in a troubled debt restructuring are placed on non-accrual status and included in impaired loans.

Allowance for Loan Losses

The allowance for loan losses is increased by provisions for loan losses charged to income. For all portfolio segments, losses are charged to the allowance when all or a portion of a loan is deemed to be uncollectible. Subsequent recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

The allowance for loan losses is a significant estimate based upon management's periodic evaluation of each segment of the loan portfolio under current economic conditions, considering factors such as the Company's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, and the estimated value of the underlying collateral. Establishing the allowance for loan losses involves significant management judgment, utilizing the best available information at the time of review. Those judgments are subject to further review by various sources, including the Bank's regulators, who may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. While management estimates probable incurred loan losses using the best available information, future adjustments to the allowance may be necessary based on changes in economic and real estate market conditions, further information obtained regarding known problem loans, the identification of additional problem loans, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that in management's judgment should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers non-impaired loans and is based for all portfolio segments on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

In estimating specific allocations, we review loans deemed to be impaired, including loans modified in troubled debt restructures, and measure impairment losses based on either the fair value of collateral, the present value of expected future cash flows, or the loan's observable market price. When an impairment analysis indicates the need for a specific allocation on an individual loan, the amount must be sufficient to cover probable incurred losses at the evaluation date based on the facts and circumstances of the loan. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are promptly charged-off against the allowance for loan losses.

Premises and Equipment

Land is carried at cost. Bank premises, leasehold improvements and furniture and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the related assets, which are 35 years for bank premises and 2 to 7 years for furniture and equipment. Amortization of leasehold improvements is recognized on a straight-line basis over the lesser of lease term or estimated useful lives, resulting in amortization periods ranging from approximately 5 to 15 years. Costs incurred to improve or extend the life of existing assets are capitalized. Repairs and maintenance are charged to expense.

Goodwill

Goodwill results from business acquisitions and represents the excess of the purchases price over the fair value of the acquired assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using tax rates. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Realization of deferred tax assets is dependent upon the generation of future taxable income. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

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.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of New York and the City of New York. The Company is no longer subject to examination by taxing authorities for years before 2012.

Federal Reserve Bank

As a member of the Federal Reserve Bank (“FRB”) system, the Bank is required to maintain a minimum investment in FRB stock. Any excess may be redeemed by the Bank or called by the FRB at par. At its discretion, the FRB may declare dividends on this stock. The Bank had $536 thousand and $441 thousand invested in FRB stock at December 31, 2015 and December 31, 2014, respectively, which is carried at cost due to the fact that it is a restricted security.

Federal Home Loan Bank of New York

The Bank is a member of the Federal Home Loan Bank of New York (“FHLB”). As a member the Bank was required to maintain FHLB capital stock, in the amount of $971 thousand and $1.0 million at December 31, 2015 and 2014, respectively. The amount is carried at cost because it is a restricted security. The FHLB may declare dividends on this stock at its discretion.

Comprehensive Income

Comprehensive income represents the sum of the net income and items of “other comprehensive income” that are reported directly in stockholders’ equity, such as the change during the period in the net unrealized gain or loss on securities available for sale.

Stock Options

The Company has a stock-based compensation plan as more fully described in Note 10. For accounting purposes, the Bank recognizes expense for options to purchase common stock awarded under the Bank's Stock Option Plan over the vesting period at the fair market value of the options on the date they are awarded.

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 a separate note. 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.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, 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 the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Sales of Participating Interests in Loans

Gains or losses recognized on the sale of participating interests in loans are determined on a specific identification basis. Gains or losses are determined by allocating the carrying amount between the participating interest sold and the Company's retained interest, based on their relative fair values and taking into account any servicing rights retained. The retained interests, net of any discounts or premiums, are included in loans, net of allowance for loan losses, in the accompanying statements of financial condition.

Loan Servicing Rights

Servicing assets are recognized when participating interests in loans are sold with servicing retained, with the income statement effect recorded in gain on sale of participating interests in loans. Servicing rights are initially recorded at fair value. Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

Servicing rights are subsequently measured using the amortization method, which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying participating interests. Servicing rights are evaluated for impairment based upon the fair value of the rights compared to the carrying amount. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

Real Estate Owned

Real estate acquired through or instead of loan foreclosure is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 23, 2016, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standards

There were no accounting standards adopted during the current year that had a material impact on the Company's financial position, results of operations or disclosures.

NOTE 2 – INVESTMENT SECURITIES

The following is a summary of the amortized cost, gross unrealized/unrecognized gains and losses, and estimated fair market value of investment securities available-for-sale and held-to-maturity at December 31, 2015 and December 31, 2014.

	December 31, 2015 (in thousands)			
	Amortized	Gross Unrecognized		Fair
	Cost	Gains	Losses	Value
Held to Maturity:				
Mortgage-backed securities – residential	$ 8,089	$ 172	$ --	$ 8,261
Trust Preferred Securities	3,932	75	(59)	3,948
Total	$ 12,021	$ 247	$ (59)	$ 12,209

	December 31, 2015 (in thousands)			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
Available-for-Sale:				
Mortgage-backed securities – residential	$ 3,399	$ 176	$ --	$ 3,575
Trust Preferred Securities	1,000	--	(26)	974
Total	$ 4,399	$ 176	$ (26)	$ 4,549

	December 31, 2014 (in thousands)			
	Amortized	Gross Unrecognized		Fair
	Cost	Gains	Losses	Value
Held to Maturity:				
Mortgage-backed securities – residential	$ 9,849	$ 275	$ --	$ 10,124
Trust Preferred Securities	2,429	58	(8)	2,479
Total	$ 12,278	$ 333	$ (8)	$ 12,603

	December 31, 2014 (in thousands)			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
Available-for-Sale:				
Mortgage-backed securities – residential	$ 4,487	$ 267	$ --	$ 4,754
Trust Preferred Securities	--	--	--	--
Total	$ 4,487	$ 267	$ --	$ 4,754

The following tables summarize the amortized cost and estimated fair market value of investment securities available-for-sale and held-to-maturity at December 31, 2015, with amounts shown by remaining term to contractual maturity. Securities not due at a single maturity date, primarily mortgaged-backed and asset-backed securities, are shown separately.

	December 31, 2015 (in thousands) Available for Sale		December 31, 2015 (in thousands) Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgaged-backed securities	$ 3,399	$ 3,575	$ 8,089	$ 8,261
Trust Preferred Securities				
Due less than one year	--	--	--	--
One year to less than three years	--	--	--	--
Three years to less than five years	--	--	--	--
Five years to ten years	1,000	974	--	--
More than ten years	--	--	3,932	3,948
Total	$ 4,399	$ 4,549	$ 12,021	$ 12,209

The following tables summarizes, for all securities in an unrecognized loss position at December 31, 2015 and December 31, 2014 the aggregate fair values and gross unrecognized losses by the length of time those securities had been in a continuous loss position.

December 31, 2015

	Less Than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrecognized Loss**	**Fair Value**	**Unrecognized Loss**	**Fair Value**	**Unrecognized Loss**
			(In thousands)			
Held to Maturity:						
Mortgage-backed securities	$ -	$ -	$ -	$ -	$ -	$ -
Trust Preferred Securities	1,520	(37)	520	(22)	2,040	(59)
Total temporarily impaired	$ 1,520	$ (37)	$ 520	$ (22)	$ 2,040	$ (59)

December 31, 2014

	Less Than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrecognized Loss**	**Fair Value**	**Unrecognized Loss**	**Fair Value**	**Unrecognized Loss**
			(In thousands)			
Held to Maturity:						
Mortgage-backed securities	$ -	$ -	$ -	$ -	$ -	$ -
Trust Preferred Securities	-	-	552	(8)	552	(8)
Total temporarily impaired	$ -	$ -	$ 552	$ (8)	$ 552	$ (8)

The following tables summarizes, for all securities in an unrealized loss position at December 31, 2015, the aggregate fair values and gross unrealized losses by the length of time those securities had been in a continuous loss position.

	December 31, 2015					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)					
Available for Sale:						
Mortgage-backed securities...........	$ -	$ -	$ -	$ -	$ -	$ -
Trust Preferred Securities..............	974	(26)	-	-	974	(26)
Total temporarily impaired ...	$ 974	$ (26)	$ -	$ -	$ 974	$ (26)

There were no available-for-sale securities in an unrealized loss position at December 31, 2014.

The Company evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and whether management intends to sell or it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. Management has reviewed the portfolio for other than temporary impairment and has determined that none exists as of December 31, 2015.

There were no sales of securities during 2015 or 2014.

Securities pledged at year-end 2015 and 2014 had an approximate carrying amount of $10.2 and 10.1 million and were pledged to secure borrowing facilities as well as certain municipal deposits.

NOTE 3 – LOANS

The following is a summary of loans receivable at December 31, 2015 and December 31, 2014.

	December 31, 2015	December 31, 2014
	(Dollars in thousands)	
Real estate loans:		
One-to four-family	$ 28,789	$ 19,816
Commercial		
Owner Occupied	35,145	24,541
Non Owner Occupied	34,601	27,015
Multi-family	16,155	14,948
Construction or development	965	965
Home equity		
Open Ended / Revolving	5,065	5,362
Closed Ended	960	611
Total real estate loans	121,680	93,258
Other loans:		
Commercial business		
Taxi Medallion	7,040	7,794
US Govt. Agency Guaranteed	7,776	8,447
Commercial Business Lines of Credit and Term Loans	29,952	30,982
Consumer	780	249
Total other loans	45,548	47,472
Total loans receivable	167,228	140,730
Deferred loan costs (fees) net	684	465
Allowance for loan losses	(2,206)	(2,105)
Total loans receivable, net	$ 165,706	$ 139,090

Risk characteristics of the Company's portfolio segments include the following:

One-to Four- Family Real Estate Loans – Owner occupied loans secured by residential real estate properties are no longer offered by the Company but are held in the loan portfolio. Loans to investors of residential real estate properties, however, are still offered. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Commercial Real Estate Loans – In underwriting commercial real estate loans, the Company evaluates both the prospective borrower's ability to make timely payments on the loan and the value of the property securing the loan. Repayment of such loans may be negatively impacted should the borrower default or should there be a substantial decline in the value of the property securing the loan, or a decline in general economic conditions. Where the owner occupies the property, the Company also evaluates the business's ability to repay the loan on a timely basis. In addition, the Company may require personal guarantees, lease assignments and/or the guarantee of the operating company when the property is owner occupied. These types of loans may involve greater risks than other types of lending, because payments on such loans are often dependent on the successful operation of the business involved, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions affecting the borrowers' business.

Multifamily Real Estate Loans - In underwriting multifamily real estate loans, the Company evaluates both the prospective borrower's ability to make timely payments on the loan and the value of the property securing the loan. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Construction or Development Loans – Construction loans are short-term loans (generally up to 18 months) secured by land for both residential and commercial development. The loans are generally made for acquisition and improvements. Funds are disbursed as phases of construction are completed. Most non-residential construction loans require preapproved permanent financing or pre-leasing by the Company or another bank providing the permanent financing. The Company funds construction of single family homes and commercial real estate, when no contract of sale exists, based upon the experience of the builder, the financial strength of the owner, the type and location of the property and other factors. Construction loans are generally personally guaranteed by the principal(s). Repayment of such loans may be negatively impacted by the builders' inability to complete construction, by a downturn in the new construction market, by a significant increase in interest rates or by a decline in general economic conditions.

Home Equity Loans – Home equity loans secured by residential real estate properties are no longer offered by the Company but are held in the loan portfolio. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Commercial Business Loans – The Company's commercial and industrial loan portfolio consists primarily of commercial business loans and lines of credit to businesses and professionals. These loans are usually made to finance the purchase of inventory, new or used equipment or other short or long term working capital purposes. These loans are generally secured by corporate assets, often with real estate as secondary collateral, but are also offered on an unsecured basis. In granting this type of loan, the Company primarily looks to the borrower's cash flow as the source of repayment with collateral and personal guarantees, where obtained, as a secondary source. Commercial loans are often larger and may involve greater risks than other types of loans offered by the Company. Payments on such loans are often dependent upon the successful operation of the underlying business involved and, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions, management's inability to effectively manage the business, claims of others against the borrower's assets which may take priority over the Company's claims against assets, death or disability of the borrower or loss of market for the borrower's products or services.

Loans on New York City taxi medallions are no longer offered by the Company. USDA guaranteed loans are, at times, purchased in the secondary market and have varying terms. Principal balance of these loans is guaranteed by the full faith and credit of the USDA.

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2015 and December 31, 2014.

	December 31, 2015			December 31, 2014		
	Unpaid Principal Balance	Recorded Investment	Allowance For Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance For Loan Losses Allocated
		(In thousands)			(In thousands)	
With no related allowance recorded:						
Real estate loans:						
One-to four family	$ 1,710	$ 1,710	$ -	$ 1,715	$ 1,715	$ -
Commercial						
Owner Occupied	881	881	-	499	499	-
Non Owner Occupied	434	434	-	493	493	-
Multi-family	-	-	-	-	-	-
Construction or development	965	965	-	965	965	-
Home equity						
Open Ended/Revolving	-	-	-	-	-	-
Closed Ended	200	200	-	-	-	-
Total real estate loans	4,190	4,190	-	3,672	3,672	-
Other loans:						
Commercial business						
Taxi Medallion	-	-	-	-	-	-
US Govt. Agency Guaranteed	-	-	-	-	-	-
All Other	1,138	1,138	-	718	718	-
Consumer	-	-	-	-	-	-
Total other loans	1,138	1,138	-	718	718	-
Total loans	$ 5,328	$ 5,328	$ -	$ 4,390	$ 4,390	$ -
With an allowance recorded:						
Real estate loans:						
One-to four family	$ -	$ -	$ -	$ -	$ -	$ -
Commercial						
Owner Occupied	-	-	-	-	-	-
Non Owner Occupied	334	334	52	-	-	-
Multi-family	-	-	-	-	-	-
Construction or development	-	-	-	-	-	-
Home equity						
Open Ended/Revolving	-	-	-	-	-	-
Closed Ended	-	-	-	-	-	-
Total real estate loans	334	334	52	-	-	-
Other loans:						
Commercial business						
Taxi Medallion	-	-	-	-	-	-
US Govt. Agency Guaranteed	-	-	-	-	-	-
All Other	123	63	46	124	64	48
Consumer	-	-	-	-	-	-
Total other loans	123	63	46	124	64	48
Total loans	$ 457	$ 397	$ 98	$ 124	$ 64	$ 48

The recorded investment in loans excludes accrued interest and deferred loan costs (fees) due to immateriality.

	2015	2014
Average of individually impaired loans during year	$ 5,025	$ 4,281
Interest income recognized during impairment	$ 121	111
Cash-basis interest income recognized	-	-

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

	30 - 59 Days Past Due	60 - 89 Days Past Due	Loans Past Due Over 90 Days Still Accruing	Non Accrual	Total Past Due	Loans Not Past Due	Total
				(In thousands)			
Real estate loans:							
One-to four family	$ 539	$ -	$ -	$ 502	$ 1,041	$ 27,748	$ 28,789
Commercial							
Owner Occupied	-	-	-	498	498	34,647	35,145
Non Owner Occupied	-	-	-	334	334	34,267	34,601
Multi-family	-	-	-	-	-	16,155	16,155
Construction or development	-	-	-	965	965	-	965
Home equity							
Open Ended/Revolving	146	-	-	-	146	4,919	5,065
Closed Ended	-	78	-	200	278	682	960
Total real estate loans	685	78	-	2,499	3,262	118,418	121,680
Other loans:							
Commercial business							
Taxi Medallion	-	-	-	-	-	7,040	7,040
US Govt. Agency Guaranteed	-	-	-	-	-	7,776	7,776
All Other	-	-	-	503	503	29,449	29,952
Consumer	-	-	-	-	-	780	780
Total other loans	-	-	-	503	503	45,045	45,548
Total loans	$ 685	$ 78	$ -	$ 3,002	$ 3,765	$ 163,463	$ 167,228

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

	30 - 59 Days Past Due	60 - 89 Days Past Due	Loans Past Due Over 90 Days Still Accruing	Non Accrual	Total Past Due	Loans Not Past Due	Total
				(In thousands)			
Real estate loans:							
One-to four family	$ -	$ -	$ -	$ 502	$ 502	$ 19,314	$ 19,816
Commercial							
Owner Occupied	-	-	-	-	-	24,541	24,541
Non Owner Occupied	-	-	-	-	-	27,015	27,015
Multi-family	-	-	-	-	-	14,948	14,948
Construction or development	-	-	-	965	965	-	965
Home equity							
Open Ended/Revolving	-	-	-	-	-	5,362	5,362
Closed Ended	81	-	-	-	81	530	611
Total real estate loans	81	-	-	1,467	1,548	91,710	93,258
Other loans:							
Commercial business							
Taxi Medallion	-	-	-	-	-	7,794	7,794
US Govt. Agency Guaranteed	-	-	-	-	-	8,447	8,447
All Other	-	-	-	64	64	30,918	30,982
Consumer	-	-	-	-	-	249	249
Total other loans	-	-	-	64	64	47,408	47,472
Total loans	$ 81	$ -	$ -	$ 1,531	$ 1,612	$ 139,118	$ 140,730

At year-end 2015, the Company had $2.8 million in interest only loans, excluding lines of credit and construction loans, and no loans with potential for negative amortization.

The Bank has extended credit to various directors, senior officers and their affiliates. Loans to related parties during 2015 were as follows:

(In thousands)

Beginning balance at December 31, 2014	$ 3,214
New Loans	2,205
Repayments	(887)
Ending Balance at December 31, 2015	$ 4,532

The balance at December 31, 2015 does not include unused commitments totaling $589 thousand.

Credit Quality Indicators:

The Company 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. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes all loans, regardless of the outstanding balance, and non-homogenous loans, such as commercial and commercial real estate loans. This analysis is performed on an ongoing basis and results are reviewed each month. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves managements close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institutions credit positions 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 are considered to be pass rated loans. Loans listed as not rated are either consumer loans or are included in groups of homogeneous loans. As of December 31, 2015, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Not Classified	Special Mention	Sub-standard	Doubtful	Total Loans
Real estate loans:					
One-to four family	$ 26,929	$ 508	$ 1,352	$ -	$ 28,789
Commercial					
Owner Occupied	33,927	72	1,146	-	35,145
Non Owner Occupied	33,528	739	334	-	34,601
Multi-family	16,155	-	-	-	16,155
Construction or development	-	-	965	-	965
Home equity					
Open Ended/Revolving	4,919	-	146	-	5,065
Closed Ended	760	-	200	-	960
Total real estate loans	116,218	1,319	4,143	-	121,680
Other loans:					
Commercial business					
Taxi Medallion	2,882	4,158	-	-	$ 7,040
US Govt. Agency Guaranteed	7,776	-	-	-	7,776
All Other	28,618	790	544	-	29,952
Consumer	780	-	-	-	780
Total other loans	40,056	4,948	544	-	45,548
Total loans	$ 156,274	$ 6,267	$ 4,687	$ -	$ 167,228

As of December 31, 2014, the risk category of loans by class of loans is as follows:

	Not Classified	Special Mention	Sub-standard	Doubtful	Total Loans
Real estate loans:					
One-to four family	$ 17,938	$ 510	$ 1,368	$ -	$ 19,816
Commercial					
Owner Occupied	23,692	74	775	-	24,541
Non Owner Occupied	26,200	815	-	-	27,015
Multi-family	14,948	-	-	-	14,948
Construction or development	-	-	965	-	965
Home equity					
Open Ended/Revolving	5,014	-	348	-	5,362
Closed Ended	611	-	-	-	611
Total real estate loans	88,403	1,399	3,456	-	93,258
Other loans:					
Commercial business					
Taxi Medallion	7,794	-	-	-	$ 7,794
US Govt. Agency Guaranteed	8,447	-	-	-	8,447
All Other	29,572	806	604	-	30,982
Consumer	249	-	-	-	249
Total other loans	46,062	806	604	-	47,472
Total loans	$ 134,465	$ 2,205	$ 4,060	$ -	$ 140,730

Troubled Debt Restructurings:

From time to time, the terms of certain loans, for which the borrower is experiencing financial difficulties, are modified as troubled debt restructurings. 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 company's internal underwriting policy. The modification of the terms of such loans include 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.

Troubled debt restructurings totaled $3.2 million and $2.9 million as of December 31, 2015 and 2014, respectively. Of these amounts approximately $498 thousand and $0 were non-accrual at December 31, 2015 and 2014, respectively. There were no specific reserves allocated to such restructured loans as of December 31, 2015 and 2014. The Company has no commitments to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

There was one commercial real estate loan with a balance of $383 thousand that was modified as a troubled debt restructuring during the year ended December 31, 2015. There was no impact to the allowance for loan losses as a result of these troubled debt restructurings.

There were three loans with an aggregate balance of $1.7 million that were modified as troubled debt restructurings during the year ended December 31, 2014. They consisted of three residential mortgage loans. One loan of $458 thousand paid off during 2014. There was no impact to the allowance for loan losses as a result of these troubled debt restructurings.

There was one commercial real estate loan, included in troubled debt restructurings, in the amount of $498 thousand that defaulted within the 12 months of 2015. There were no defaults of troubled debt restructurings within 12 months of 2014. A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

NOTE 4 – ALLOWANCE FOR LOAN LOSSES

The following table presents the balance in the allowance for loan losses by portfolio segment as of December 31, 2015 and 2014.

For the Twelve Months Ended December 31, 2015
(in thousands)

	One-to-Four Family	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
Beginning Balance	$ 148	$ 423	$ 385	$ -	$ 123	$ 755	$ 2	$ 269	$ 2,105
Charge-offs	-	-	-	-	-	(16)	(12)	-	(28)
Recoveries	-	-	17	-	20	22	-	-	59
Provision for loan losses	33	2	1	-	(50)	233	13	(162)	70
Ending Balance	$ 181	$ 425	$ 403	$ -	$ 93	$ 994	$ 3	$ 107	$ 2,206

For the Twelve Months Ended December 31, 2014
(in thousands)

	One-to-Four Family	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
Beginning Balance	$ 158	$ 660	$ 512	$ 252	$ 148	$ 591	$ 2	$ 28	$ 2,351
Charge-offs	-	-	(550)	-	-	(45)	(2)	-	(597)
Recoveries	-	-	-	-	-	11	-	-	11
Provision for loan losses	(10)	(237)	423	(252)	(25)	198	2	241	340
Ending Balance	$ 148	$ 423	$ 385	$ -	$ 123	$ 755	$ 2	$ 269	$ 2,105

The following table presents the balance of recorded investment in loans by portfolio segment based on the impairment method and the corresponding balance in allowance for loan losses as of December 31, 2015 and December 31, 2014.

	December 31, 2015								
	1-4 Family Residential Real Estate	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
	(In thousands)								
Allowance for loan losses:									
Individually evaluated for impairment ..	$ -	$ 52	$ -	$ -	$ -	$ 46	$ -	$ -	$ 98
Collectively evaluated for impairment ..	181	373	403	-	93	948	3	107	2,108
Total allowance balance	$ 181	$ 425	$ 403	$ -	$ 93	$ 994	$ 3	$ 107	$ 2,206
Loans:									
Loans individually evaluated for impairment ..	$ 1,710	$ 1,649	$ -	$ 965	$ 200	$ 1,201	$ -	$ -	$ 5,725
Loans collectively evaluated for impairment ..	27,079	68,097	16,155	-	5,825	43,567	780	-	161,503
Total ending loans balance	$ 28,789	$ 69,746	$ 16,155	$ 965	$ 6,025	$ 44,768	$ 780	$ -	$ 167,228

	December 31, 2014								
	1-4 Family Residential Real Estate	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
	(In thousands)								
Allowance for loan losses:									
Individually evaluated for impairment ...	$ -	$ -	$ -	$ -	$ -	$ 48	$ -	$ -	$ 48
Collectively evaluated for impairment ...	148	423	385	-	123	707	2	269	2,057
Total allowance balance	$ 148	$ 423	$ 385	$ -	$ 123	$ 755	$ 2	$ 269	$ 2,105
Loans:									
Loans individually evaluated for impairment ...	$ 1,715	$ 992	$ -	$ 965	$ -	$ 782	$ -	$ -	$ 4,454
Loans collectively evaluated for impairment ...	18,101	50,564	14,948	-	5,973	46,441	249	-	136,276
Total ending loans balance	$ 19,816	$ 51,556	$ 14,948	$ 965	$ 5,973	$ 47,223	$ 249	$ -	$ 140,730

NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2015 and December 31, 2014 .

	December 31,	
	2015	**2014**
	(In thousands)	
Land	$ 193	$ 193
Furniture, fixtures, and equipment	1,789	1,816
Bank Premises..	1,955	1,908
Leasehold Improvements	1,324	1,175
	5,261	5,092
Less: accumulated depreciation and amortization..	(2,023)	(1,759)
Total premises and equipment, net..	$ 3,238	$ 3,333

Depreciation expense was $281 thousand and $181 thousand for 2015 and 2014, respectively.

NOTE 6 – DEPOSITS

The following is a summary of deposit balances at December 31, 2015 and December 31, 2014.

	December 31, 2015	December 31, 2014
	(in thousands)	
Demand deposit accounts	$ 47,878	$ 34,483
NOW accounts	12,369	16,195
Money market accounts	24,746	28,497
Regular savings accounts	22,314	9,226
Certificates of Deposit	50,627	57,848
Total	$ 157,934	$ 146,249

The following summarizes certificates of deposit by remaining term to contractual maturity at December 31, 2015 (in thousands).

Under one year	$ 19,580
One year to under two years	16,774
Two years to under three years	8,344
Three years to under four years	4,839
Four years to under five years	1,090
Five years to under six years	-
Total Certificates of Deposit	50,627

Certificates of deposit of $250 thousand or more totaled $7.9 million and $7.6 million at December 31, 2015 and December 31, 2014, respectively. Deposits from directors, senior officers and their affiliates were approximately $4.9 million and $9.3 million at December 31, 2015 and December 31, 2014, respectively.

NOTE 7 – BORROWINGS

The Company had $20.4 million and $21.5 million in outstanding borrowings as of December 31, 2015 and 2014. Of these amounts, the Company had $2.4 million and $2.5 million in an outstanding line of credit as of December 31, 2015 and 2014, respectively. The remaining outstanding borrowings were Federal Home Loan Bank advances.

Advances from the Federal Home Loan Bank were as follows (in thousands):

	2015	2014
Fixed rates with an average rate of 0.89% and 0.73%	$ 18,000	$ 19,000

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were fully collateralized by pledged loans, consisting of commercial real estate and residential mortgages from the Company, as well as pledged mortgage backed securities. Based on this collateral, available investment security collateral, and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $32.9 million at year-end 2015 including the $18.0 million in term advances outstanding at December 31, 2015.

<u>Payment Information</u>: Required principal payments over the next five years are as follows (in thousands):

2016	$ 15,000
2017	-
2018	-
2019	3,000
2020	-

Lines of Credit

The Company has a line of credit with a correspondent bank for an amount of up to $2.5 million. This credit facility is secured by 100% of the outstanding shares of the Bank for a period of two years. As of December 31, 2015, the outstanding balance is $2.4 million. The Company utilized this credit facility primarily to provide funds to the Company to downstream to the Bank to enable it to maintain strong capital ratios and leverage the balance sheet by increasing assets. This line of credit matures in May 2016 and is on an amortizing basis with a balloon payment. It currently carries a rate of 4.75%. Under the debt covenants on this line of credit, the Bank is required to remain well capitalized under the regulatory definition.

The Company also has a line of credit with the same correspondent bank for an amount of up to $5.0 million. This credit facility is on a secured basis for $2.5 million for a period of one hundred eighty (180) calendar days and an unsecured basis of $2.5 million for a period of fourteen (14) calendar days. The Bank did not utilize this credit facility at any time during 2015 or 2014.

NOTE 8 – INCOME TAXES

The following summarizes components of income tax expense for the years ended December 31, 2015 and December 31, 2014.

	December 31,	
	2015	2014
	(in thousands)	
Current:		
Federal expense (benefit)	$ 25	$ -
State and local expense (benefit)	39	65
Total	64	65
Deferred:		
Federal expense (benefit)	$ 81	$ 214
State and local expense (benefit)	(236)	73
Tax Expense (Benefit) Before Valuation Allowance	(155)	287
Change in Valuation Allowance	236	(2,651)
Total Tax Expense (Benefit)	$ 145	$ (2,299)

The following is a reconciliation of the Company's statutory federal income tax rate, 34%, to its effective tax rate at December 31, 2015 and December 31, 2014.

	December 31,	
	2015	2014
	(in thousands)	
	34%	34%
Federal expense (benefit) at statutory rate	$ 66	$ 214
State and local income taxes, net of federal income tax benefit	(166)	65
Other	9	73
Tax benefit before valuation allowance	(91)	352
Change in Valuation Allowance	236	(2,651)
Income tax Expense (Benefit)	$ 145	$ (2,299)

The following summarizes the balance of the Company's deferred tax assets and deferred tax liabilities at December 31, 2015 and December 31, 2014.

	December 31,	
	2015	2014
	(in thousands)	
Deferred Tax Assets	$ 3,432	$ 3,164
Less: Valuation allowance	(599)	(363)
Net deferred tax assets	2,833	2,801
Deferred tax liabilities	609	527
Net deferred tax asset (liability)	$ 2,224	$ 2,274

Deferred taxes relate primarily to net operating loss carryforwards and timing differences associated with the allowance for loan losses. At December 31, 2014, management assessed its earnings history, its estimate of future earnings, the expected reversal of differences in book and taxable income, and the expiration dates of its net operating loss carryforwards and determined that the realization of its Federal deferred tax assets was more likely than not and reversed the associated valuation allowance. This resulted in a credit to deferred tax provision of approximately $2.3 million during fiscal 2014.

The Company has the following net operating loss carry forwards available to reduce future taxable income.

YEAR(S) of Expiration	FEDERAL	NEW YORK STATE	NEW YORK CITY
2025	$ 803	$ 1,632	$ -
2026	1,173	1,165	-
2027	704	704	-
2028	894	894	-
2029	258	217	-
2031	310	320	-
2033	166	147	-
2035	-	2,455	1,250
	$ 4,308	$ 7,534	$ 1,250

Effective January 1, 2015, New York State and New York City enacted comprehensive tax reform provisions with significant impact on financial institutions. As a result of this legislation, beginning in 2015, the Bank calculates its tax obligation to New York State and New York City based upon the largest of a calculated income tax liability, a tax liability based upon average equity capital or a minimum filing fee. Also, effective January 1, 2015, banks under $8 billion in total assets are permitted to claim a subtraction from New York State and New York City taxable income equal to 50% of the net interest income on loans secured by residential real estate located within these respective jurisdictions. Based upon the forecasted impact of this subtraction on the Bank's state and city taxable income, it is more likely than not that the Bank will generate income tax losses in future years and therefore calculate its New York State and New York City tax liability on the basis of average equity capital or a fixed minimum fee. Consequently, the Bank maintained a valuation allowance against its New York State and New York City deferred tax assets as it is unlikely these deferred tax assets will impact the Bank's tax liability in future years.

There were no significant unrecognized tax benefits or expense at December 31, 2015, and the Company does not expect any significant increase in unrecognized tax benefits or expense in the next twelve months.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company has not been a party to any legal proceedings, which may have a material effect on the Company's results of operations and financial condition. However, in the normal course of its business, the Company may become involved as plaintiff or defendant in proceedings such as judicial mortgage foreclosures and proceedings to collect on loan obligations and to enforce contractual obligations.

Operating Lease Commitments

The Bank is obligated under non-cancelable operating leases for its branch office locations in New Paltz, New York, Staten Island, New York, and Brooklyn, New York. The leases are for initial terms of 15 years, 10 years, and 15 years, respectively and have various renewal options. Rent expense under operating leases was $340 thousand and $246 thousand for the years ended December 31, 2015 and 2014, respectively. The combined future minimum rent commitments under the non-cancelable operating leases, excluding taxes and insurance, before considering renewal options that generally are present, are as follows:

	(In thousands)
2016	$ 299
2017	302
2018	279
2019	210
2020	121
Thereafter	1,136
Total	$ 2,347

Off-Balance Sheet Financial Instruments

Loan origination commitments and lines of credit are contractual agreements to lend to customers within specified time periods at interest rates and on other terms specified in the agreements. These financial instruments involve elements of credit risk and interest rate risk in addition to the amounts for funded loans recognized in the balance sheet. The contractual amounts of commitments and lines of credit represent the Bank's maximum potential exposure to credit loss (assuming that the agreements are fully funded and any collateral proves to be worthless), but do not represent future cash requirements since certain agreements may expire without being fully funded. Loan commitments generally have fixed expiration dates (ranging up to three months) or other termination clauses and may require the payment of a fee by the customer. Commitments and lines of credit are subject to the same credit approval process applied in the Bank's general lending activities, including a case-by-case evaluation of the customer's creditworthiness and related collateral requirements. Substantially all of these commitments and lines of credit have been provided to customers within the Bank's primary lending area. Loan origination commitments at December 31, 2015 consisted of adjustable and fixed rate, with interest rates ranging from 3.5% to 6.0% and terms generally not exceeding 90 days.

The contractual amounts of financial instruments with off-balance sheet risk at year-end were as follows:

	2015		2014	
	(In thousands)			
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ --	$ 4,894	$ 230	$ 2,600
Unused lines of credit	--	11,141	--	11,369
Standby letters of credit	--	158	--	--

NOTE 10 – EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

Stock Options

On March 18, 2014 the Board of Directors approved the adoption of the Company's 2014 Stock Option Plan which allows for 331,000 options. These options have a 10-year term and may be either non-qualified stock options or incentive stock options. The options vest immediately for those options granted to Directors and at either a rate of 20% on each of five annual vesting dates or 33.33% on each of three annual vesting dates for those options granted to employees. The Board of Directors determines the vesting period in accordance with its decisions to make grants. Each option entitles the holder to purchase one share of common stock at an exercise price equal to the fair market value of the stock on the grant date.

The 2014 Stock Option Plan replaces the Stock Option Plan which was adopted in 2004. This plan allowed for 180,000 options. All options outstanding under the retired Stock Option Plan were surrendered upon grant of new options under the 2014 Stock Option Plan.

For accounting purposes, the Company recognizes expense for options awarded under the Company's 2014 Stock Option Plan over the vesting period at the fair market value of the options on the day they are awarded.

A summary of options outstanding under the Bank's 2014 Stock Option Plan as of December 31, 2015, and changes during the year then ended is presented below.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Intrinsic Value
Outstanding at January 1, 2015	264,000	$ 3.00		
Granted	8,000	3.09		
Exercised	-	-		
Forfeited or expired	(5,000)	3.00		
Surrendered	-	-		
Outstanding at December 31, 2015	267,000	$ 3.00	9.8	$ -
Options exercisable at December 31, 2015	125,765	$ 3.00	9.8	$ -
Vested and expected to vest	267,000	$ 3.00	9.8	$ -

As of December 31, 2015, there was $124 thousand of total unrecognized compensation cost related to nonvested stock options granted under the 2014 Stock Option Plan. The cost is expected to be recognized over a remaining period of approximately 50 months. The unrecognized cost as of December 31, 2014 was $169 thousand.

At December 31, 2015, there were 64,000 shares available for future grant under the 2014 Stock Option Plan. The fair value of each option award is estimated on the date of grant using the Black-Scholes model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The weighted average assumptions utilized for all grants during the year ended December 31, 2015 are as follows:

	December 31, 2015
Risk-free interest rate	1.92%
Expected option life	8.1
Expected stock price volatility	0.30
Dividend yield	0.00%
Weighted average fair value of options granted during the year	$ 1.10

401(k) Plan

A 401(k) benefit plan allows employee contributions up to 15% of their compensation. The Bank did not make any matching contributions in 2015 or 2014.

NOTE 11 – FAIR VALUE

Fair value is defined as 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. Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards describe 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 company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities: 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).

Impaired Loans and Real Estate Owned: The fair value of impaired loans with specific allocations of the allowance for loan losses and real estate owned (REO) with a valuation allowance 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. However, such adjustments did not have a material impact on the overall financial statements.

Assets measured at fair value on a recurring basis are summarized below.

	Carrying Value	Fair Value Measurements (in thousands) at December 31, 2015 Using Quoted Prices in Active	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Financial Assets				
Investment securities available-for-sale:				
Trust preferred securities	$ 974		$ 974	
Mortgage-backed securities-residential	3,575	-	3,575	-
Total available-for-sale	$ 4,549	$ -	$ 4,549	$ -

	Carrying Value	Fair Value Measurements (in thousands) at December 31, 2014 Using Quoted Prices in Active	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Financial Assets				
Investment securities available-for-sale:				
Mortgage-backed securities-residential	$ 4,754	-	$ 4,754	-
Total available-for-sale	$ 4,754	$ -	$ 4,754	$ -

Assets measured at fair value on a non-recurring basis are summarized below:

	Carrying Value	Fair Value Measurements (in thousands) at December 31, 2015 Using Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Impaired Loans				
Commercial Term Loan	$ 17	-	-	$ 17
Commercial Mortgage Loan	282	-	-	282

	Carrying Value	Fair Value Measurements (in thousands) at December 31, 2014 Using Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Impaired Loans				
Commercial Term Loan	$ 16	-	-	$ 16
REO Property				
Construction or development	149	-	-	149

Impaired loans: Impaired loans measured at fair value at December 31, 2015 had a book value of $397 thousand, with a valuation allowance of $98 thousand. Impaired loans measured at fair value at December 31, 2014 had a book value of $64 thousand, with a valuation allowance of $48 thousand.

Real Estate Owned: At December 31, 2015 there was no real estate owned. Real estate owned at December 31, 2014 had a net carrying amount of $149 thousand, made up of one property with a total outstanding balance of $649 thousand, net of direct write-downs of $500 thousand.

Carrying amount and estimated fair values of financial instruments at year end were as follows:

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets				
Cash and due from banks	$ 4,740	$ 4,740	$ 22,723	$ 22,723
Securities available for sale	4,549	4,549	4,754	4,754
Securities held to maturity	12,021	12,209	12,278	12,603
Loans, net	165,706	167,148	139,090	140,996
Federal Home Loan Bank stock	971	N/A	1,011	N/A
Federal Reserve Bank stock	536	N/A	441	N/A
Accrued interest receivable	672	672	592	592
Financial Liabilities				
Deposits	157,934	158,281	146,249	146,673
Federal Home Loan Bank advances	18,000	18,011	19,000	19,002
Other borrowings	2,427	2,428	2,487	2,487
Accrued interest payable	53	53	58	58

The methods and assumptions, not previously presented, used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, interest bearing deposits, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. For loans held for sale, fair value is based on outstanding commitments from third party investors. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life adjusted for the allowance for loan loss. Fair value of debt is based on current rates for similar financing. It was not practicable to determine the fair value of FHLB or FRB stock due to restrictions placed on its transferability. The fair value of off-balance-sheet items is not considered material.

NOTE 12- REGULATORY CAPITAL REQUIREMENTS

Federal Reserve Board regulations requires that state-chartered, FRB-member banks, such as Empire State Bank, maintain minimum regulatory capital levels. Under prompt corrective action regulations, the regulatory agency is required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on the Company's consolidated financial statements. The regulations establish a framework for the classification of institutions into five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The U.S. Basel III rules became effective for the Bank on January 1, 2015, and set forth the composition of regulatory capital including the application of regulatory capital adjustments and deductions. Prior to January 1, 2015, regulatory capital was calculated under the Basel I framework. Regulatory capital guidelines require that capital be measured in relation to the credit and market risks of both on- and off-balance sheet items using various risk weights. These risk weights were amended as part of the Basel III framework.

The new capital rules implement a revised definition of regulatory capital including a new common equity Tier 1 capital ratio with a minimum requirement of 4.5% and a higher minimum Tier 1 capital ratio of 6.0%. Under the new rules, the total capital ratio remains at 8.0% and the minimum leverage ratio (Tier 1 capital to total assets) for all banking organizations is 4.0%.

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 capital conservation buffer and the deductions from common equity Tier 1 capital phase in over time, beginning on January 1, 2016.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital (as defined by the regulations) to risk weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes that as of December 31, 2015, the Bank meets all capital adequacy requirements to which it is subject. Further, the most recent regulatory notification categorized the Bank as a well-capitalized institution under the prompt corrective action regulations. There have been no conditions or events since that notification that management believes have changed the Bank's capital classification.

The following table presents the regulatory capital, assets and risk based capital ratios for the Bank under the Basel III framework at December 31, 2015:

	Bank Actual		Minimum Capital Adequacy		Classification as Well Capitalized	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2015			(Dollars in thousands)			
Tier I (core) capital to Average Assets	$ 15,704	8.2%	$ 7,627	4.0%	$ 9,534	5.0%
Common Equity Tier 1 to Risk Weighted Assets	15,704	10.4	6,783	4.5	9,797	6.5
Tier 1 Capital to Risk Weighted Assets	15,704	10.4	9,044	6.0	12,058	8.0
Total Capital to Risk Weighted Assets	17,592	11.7	12,058	8.0	15,073	10.0

As discussed previously, the Basel III framework for capital requirements and capital calculation is substantially different from the previous Basel I framework to which the Bank was subject in prior periods. Therefore, capital ratios and requirements are not considered comparative between prior periods and the current period. The capital ratios and requirements for December 31, 2014 are presented only to disclose the Bank's capital position under the regulatory framework in place as of that date.

The following table presents the regulatory capital, assets and risk based capital ratios for the Bank under the Basel I framework at December 31, 2014:

	Bank Actual		Minimum Capital Adequacy		Classification as Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2014			(Dollars in thousands)			
Tier I (core) capital	$ 14,349	8.5%	$ 6,786	4.0%	$ 8,483	5.0%
Risk-based capital:						
Tier I	14,349	10.9	5,257	4.0	7,885	6.0
Total	15,997	12.2	10,513	8.0	13,142	10.0

The New York State Department of Financial Services regulates the amount of dividends and other capital distributions that the Bank may pay to the Company. All dividends must be paid out of undivided profits and cannot be paid out from capital. In general, if the Bank satisfies all regulatory capital requirements both before and after a dividend payment, the Bank may pay a dividend to the Company, in any year, equal to the current year's net income plus retained net income for the preceding two years that is still available for dividend. The Bank is currently unable to pay dividends to the Company without regulatory approval given it is in an accumulated deficit position.

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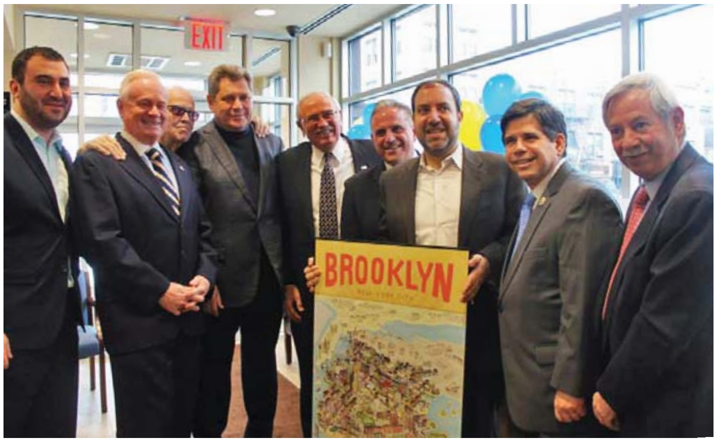
On February 19, 2015, Empire State Bank celebrated its fourth branch in Bay Ridge, Brooklyn, as part of an ongoing expansion to bring personalized financial services to local residents and small businesses. Located at 8701 Third Avenue, the cornerstone storefront offers checking, savings and investment services, a private second floor location for business loans, and a 24-hour ATM. The grand opening marked the bank's second location in New York City, with a neighboring branch in Staten Island. The management team is dedicated to driving the success of the small business community through innovative banking solutions and technologies.



The Bronze Medal Award

In 2015, Empire State Bank was presented a Bronze Medal Award by the U.S. Small Business Administration's New York District Office during their annual Lender Awards. Empire State Bank received recognition for Excellence in Providing Capital to Small Businesses using the SBA's Lending Programs.

Since 2011, Empire State Bank has participated in the program, and during 2015, loaned $12,151,100 to local businesses in Staten Island, Brooklyn, and the Hudson Valley.

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