

New Jersey Community Bank

Selected Financial Highlights

(in thousands, except per share and percentage data)

	2010	2009	2008*
Summary of Operations:			
Interest income	\$ 4,876	\$ 2,704	\$ 673
Interest expense	1,456	1,047	188
Net interest income	3,420	1,657	485
Provision for loan loss	472	719	245
Net interest income after provision for loan loss	2,948	938	240
Non-interest income	412	162	30
Non-interest expense	3,208	2,494	2,162
Income (loss) before income tax benefit	152	(1,394)	(1,892)
Income tax benefit	(1,185)	-	-
Net income (loss)	\$ 1,337	\$ (1,394)	\$ (1,892)

Per Common Share:

Earnings (loss) per share:			
Basic	\$ 0.81	\$ (0.85)	\$ (1.15)
Diluted	0.81	(0.85)	(1.15)
Book value per share	8.83	7.96	8.77
Average shares outstanding	1,649	1,649	1,649
Average diluted shares outstanding	1,649	1,649	1,649

Selected Financial Ratios:

Return on average assets	1.30%	-2.19%	-5.62%
Return on average common equity	10.14%	-10.10%	-12.87%
Average equity to average assets	12.83%	21.72%	43.65%
Risk-based capital:			
Total risk-based capital ratio	15.65%	20.76%	53.00%
Tier 1 risk-based capital ratio	14.61%	19.76%	52.12%
Tier 1 leverage capital ratio	12.69%	15.71%	42.98%

Financial Condition:

Total assets	\$112,565	\$ 88,209	\$ 36,421
Loans, net of unearned income	84,693	58,392	22,218
Deposits	97,855	75,014	21,844
Shareholder's equity	14,554	13,127	14,469

* The operations commenced in July 2008, accordingly, data for 2008 reflects 6 months of information.

New Jersey Community Bank

December 31, 2010

Executive Overview

New Jersey Community Bank (the “Bank”), headquartered in Freehold, New Jersey, provides a full range of commercial and retail banking services primarily to customers in Monmouth county. Currently, the Bank operates two full-service banking offices in Freehold and Neptune City.

Results of Operations - Net income for the year ended December 31, 2010 was \$1.3 million compared to a net loss of \$1.4 million for 2009. The results for 2010 were positively impacted by a one-time non-recurring income tax benefit resulting from the reversal of a \$1.2 million valuation allowance on the Bank’s deferred tax assets. Excluding this non-recurring income tax benefit, the net income was \$147 thousand.

Net interest income increased \$1.8 million to \$3.4 million for the year 2010 compared to \$1.7 million in 2009. The increase in net interest income was a result of a combination of \$39 million increase in average earning assets coupled with a 41 basis points increase in average yield. During 2010, average interest bearing liabilities increased \$39 million; while the rate on interest bearing liabilities declined 56 basis points. The provision for loan a loss was \$472 thousand, a decrease of \$247 thousand compared to 2009, primarily as a result of \$300 thousand charge-off in 2009.

Non-interest income improved by \$250 thousand, to \$412 thousand for the full year 2010 compared with \$162 thousand in 2009. Majority of such increase is related to the increase in fees and service charges on deposit accounts. Non-interest expense totaled \$3.2 million for the year 2010, an increase of \$714 thousand over 2009. The increase in non-interest expenses is primarily due to addition of personnel, increased health benefits cost and the overall growth of the Bank including an entire year of operations of the Neptune City branch office.

Financial Condition – At December 31, 2010, total assets were \$112.6 million, an increase of \$24.4 million, or 27.6%, over \$88.2 million reported at December 31, 2009. Investment securities increased \$4.9 million, or 62.6%, to \$12.6 million at December 31, 2010. During 2010, our loan portfolio increased \$26.3 million, or 45.0%, to \$84.7 million mainly due to our ability to find quality lending opportunities in this tight market.

Total deposits grew by \$22.8 million, or 30.4%, to \$97.9 million at December 31, 2010. Of the total increase, our core deposits, consisting of savings, NOW, money market and demand deposit accounts combined together increased \$19.3 million and time deposits increased \$3.6 million. Shareholder’s equity totaled \$14.6 million at December 31, 2010. The Bank’s capital ratios exceed the regulatory requirements of a well capitalized financial institution.

New Jersey Community Bank

Financial Statements December 31, 2010 and 2009

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Independent Auditors' Report

To the Board of Directors
New Jersey Community Bank
Freehold, New Jersey

We have audited the accompanying statements of financial condition of New Jersey Community Bank (the "Bank") as of December 31, 2010 and 2009, and the related statements of operations, changes in shareholders' equity and cash flows for the years then ended. The Bank's management is responsible for these financial statements. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Community Bank as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

ParenteBeard LLC

Clark, New Jersey
March 23, 2011

New Jersey Community Bank

Statements of Financial Condition

(in thousands, except shares)

	At Year End December 31,	
	2010	2009
Assets		
Cash and due from banks - non-interest bearing	\$ 1,341	\$ 840
Federal funds sold and interest-bearing deposits with banks	5,912	17,109
Total Cash and Cash Equivalents	7,253	17,949
Due from banks - time deposits	4,612	1,524
Investment Securities:		
Available-for-sale	11,381	7,494
Held-to-maturity	1,220	256
Total Investment Securities	12,601	7,750
Loans Receivable, net of unearned income	84,693	58,392
Less: Allowance for loan losses	(975)	(664)
Net Loans	83,718	57,728
Premises and equipment, net	2,534	2,652
Accrued interest receivable	304	206
Deferred tax assets	1,232	-
Other assets	311	400
Total Assets	\$ 112,565	\$ 88,209
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 5,709	\$ 4,382
Savings, NOW and money market	29,740	11,789
Time deposits \$100M and over	41,110	36,027
Time deposits, other	21,296	22,816
Total Deposits	97,855	75,014
Accrued interest payable	12	3
Other liabilities	144	65
Total Liabilities	98,011	75,082
Shareholders' Equity		
Common stock, \$2 par value; authorized 10,000,000 shares; issued and outstanding 1,648,783 shares	3,298	3,298
Surplus	13,519	13,348
Accumulated Deficit	(2,201)	(3,538)
Accumulated other comprehensive (loss) income	(62)	19
Total Shareholders' Equity	14,554	13,127
Total Liabilities and Shareholders' Equity	\$ 112,565	\$ 88,209

See notes to financial statements.

New Jersey Community Bank

Statements of Operations

(in thousands, except per share data)

	Years Ended December 31,	
	2010	2009
Interest Income		
Loans receivable, including fees	\$ 4,574	\$ 2,577
Investment securities	241	75
Federal funds sold and interest-bearing deposits with banks	24	26
Due from banks - interest bearing	37	26
Total Interest Income	<u>4,876</u>	<u>2,704</u>
Interest Expense		
Deposits	1,456	1,047
Net Interest Income before Provision for Loan Loss	3,420	1,657
Provision for Loan Loss	472	719
Net Interest Income after Provision for Loan Loss	<u>2,948</u>	<u>938</u>
Non-Interest Income		
Fees and service charges on deposit accounts	344	119
Loan fee income	20	18
All other income	48	25
Total Non-Interest Income	<u>412</u>	<u>162</u>
Non-Interest Expense		
Salaries and employee benefits	1,831	1,414
Occupancy and equipment	643	492
Data processing services	120	85
Professional and other fees	173	162
Advertising and promotion	18	23
Federal insurance assessment	154	100
Other operating expenses	269	217
Total Non-Interest Expenses	<u>3,208</u>	<u>2,494</u>
Income (Loss) Before Income Tax Benefit	152	(1,394)
Income tax benefit	(1,185)	-
Net Income (Loss)	<u>\$ 1,337</u>	<u>\$ (1,394)</u>
Income (Loss) per share:		
Basic and diluted	\$ 0.81	\$ (0.85)
Weighted average number of common shares outstanding		
Basic and diluted	1,649	1,649

See notes to financial statements.

New Jersey Community Bank

Statements of Changes in Shareholders' Equity

(in thousands)

	<u>Common Stock</u>	<u>Surplus</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Total Shareholders' Equity</u>
Balance - January 1, 2009	\$ 3,298	\$ 13,314	\$ (2,144)	\$ 0	\$ 14,468
Comprehensive loss:					
Net loss			(1,394)		(1,394)
Net unrealized gain on securities available-for-sale, net of tax				19	19
Total Comprehensive Loss					<u>(1,375)</u>
Share-based compensation expense		34			34
Balance - December 31, 2009	3,298	13,348	(3,538)	19	13,127
Comprehensive income:					
Net income			1,337		1,337
Net unrealized loss on securities available-for-sale, net of tax				(81)	(81)
Total Comprehensive Income					<u>1,256</u>
Share-based compensation expense		171			171
Balance - December 31, 2010	<u>\$ 3,298</u>	<u>\$ 13,519</u>	<u>\$ (2,201)</u>	<u>\$ (62)</u>	<u>\$ 14,554</u>

See notes to financial statements.

New Jersey Community Bank

Statements of Cash Flows

(in thousands)

	Year Ended December 31,	
	2010	2009
Cash Flows from Operating Activities		
Net income (loss)	\$ 1,337	\$ (1,394)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Provision for loan losses	472	719
Depreciation	179	155
Net accretion of premiums and discounts on investment securities	(24)	(17)
Share-based compensation	171	34
Net amortization of deferred loan fees and costs	(66)	(48)
Increase in accrued interest receivable	(98)	(145)
Deferred income tax benefit	(1,190)	-
Decrease (increase) in other assets	158	(304)
Increase (decrease) in accrued interest payable	9	(10)
Increase (decrease) in other liabilities	90	(42)
Net Cash Provided (Used) by Operating Activities	1,038	(1,052)
Cash Flows from Investing Activities		
Purchases of available for sale securities	(18,999)	(11,946)
Purchases of held to maturity securities	(1,220)	(256)
Calls of available for sale securities	15,000	4,700
Purchase of time deposits in other banks	(7,693)	(1,524)
Maturities of time deposits in other banks	4,605	-
Maturities of held to maturity securities	256	-
Net increase in loans	(26,395)	(35,427)
Purchase of loan	-	(1,000)
Purchases of premises and equipment	(60)	(154)
Purchase of FHLB Stock	(69)	-
Net Cash Used in Investing Activities	(34,575)	(45,607)
Cash Flows Provided by Financing Activities		
Net increase in deposits	22,841	53,170
Net Cash Provided by Financing Activities	22,841	53,170
Net (Decrease) Increase in Cash and Cash Equivalents	(10,696)	6,511
Cash and Cash Equivalents - Beginning	17,949	11,438
Cash and Cash Equivalents - Ending	\$ 7,253	\$ 17,949
Supplementary Cash Flows Information		
Interest paid	\$ 1,447	\$ 1,057

See notes to financial statements.

New Jersey Community Bank

Notes to Financial Statements December 31, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Operations

New Jersey Community Bank (the “Bank”) was incorporated on November 26, 2006, under the laws of the State of New Jersey and is a New Jersey state chartered banking institution. The Bank was granted its bank charter on February 20, 2008. As a state chartered bank, the Bank is subject to regulation of the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation.

The Bank commenced operations in July 2008. Its main office is located at 3441 Highway 9, Freehold, New Jersey. During 2009, the Bank established a branch office located at 118 3rd Avenue, Neptune City, New Jersey. The Bank conducts a general commercial and retail banking business encompassing a wide range of traditional deposit and lending functions. It offers a broad variety of lending services including commercial and residential real estate loans, business loans, revolving credit arrangements, lines of credit and consumer loans. The Bank also offers a broad variety of deposit accounts, including consumer and commercial checking accounts, NOW accounts, savings and time deposit accounts. The area served by the Bank is primarily Monmouth County, New Jersey.

Basis of Financial Statement Preparation and Estimates

The Bank’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). As such, management is required 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. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of deferred tax assets.

In preparing these financial statements, Bank management evaluated subsequent events for recognition or disclosure through March 23, 2011, the date the financial statements were available to be issued.

Significant Group Concentrations of Credit Risk

Most of the Bank’s activities are with customers located within Monmouth County, New Jersey. Note 4 discloses the types of lending that the Bank engages in. Although the Bank has a diversified loan portfolio, its debtors’ ability to honor their contracts is influenced by the region’s economy. The Bank does not have any significant concentrations to any one industry or customer.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold and short-term interest-bearing deposits in other banks all with original maturities within ninety days. Generally, federal funds are purchased for one day periods.

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Note 1 - Summary of Significant Accounting Policies (Continued)

Due from Banks Time Deposits

Interest-bearing time deposits with other banks which are expected to mature within one year are reported at carrying cost. All of these time deposits are fully covered by Federal Deposit Insurance Corporation ("FDIC") insurance.

Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Securities classified as available for sale are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Securities available for sale are carried at fair value. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Unrealized gains and losses are reported as increases or decreases in other comprehensive income. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Securities classified as held to maturity are those debt securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by a method which approximates the interest method over the terms of the securities.

If the fair value of a security is less than its amortized cost, the security is deemed to be impaired. Management evaluates all securities with unrealized losses quarterly to determine if such impairments are temporary or other-than-temporary in accordance with the Accounting Standards Codification ("ASC") of the Financial Accounting Standards Board ("FASB"). Temporary impairments on available for sale securities are recognized, on a tax-effected basis, through other comprehensive income ("OCI") with offsetting adjustments to the carrying value of the security and the balance of related deferred taxes. Temporary impairments of held to maturity are not recorded in the financial statements; however, information concerning the amount and duration of impairments on held to maturity securities is disclosed.

Other-than-temporary impairments on all equity securities and on debt securities that the Bank has decided to sell, or will, more likely than not, be required to sell prior to the full recovery of fair value to a level equal to or exceeding amortized cost, are recognized in earnings. If neither of these conditions regarding the likelihood of sale for a debt security apply, the other-than-temporary impairment is bifurcated into credit-related and noncredit-related components. Credit-related impairment generally represents the amount by which the present value of the cash flows that are expected to be collected on a debt security fall below its amortized cost. The noncredit-related component represents the remaining portion of the impairment not otherwise designated as credit-related. The Bank recognizes credit-related other-than-temporary impairments in earnings. Noncredit-related other-than-temporary impairments on debt securities are recognized in OCI.

New Jersey Community Bank

Note 1 - Summary of Significant Accounting Policies (Continued)

Loans Receivable

Loans receivable that management has the intent and the Bank has the ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is generally amortizing these amounts over the contractual life of the loan.

The accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Loan Losses

The allowance for loan losses ("ALL") 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 ALL is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on 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 revisions as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. A specific allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

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

New Jersey Community Bank

Note 1 - Summary of Significant Accounting Policies (Continued)

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 for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

The Bank's methodology for determining the general components of the ALL has been modified during 2010. Given the size of the loan portfolio, management has segmented the loan portfolio into four major segments which allows management to monitor risk and performance. The first segment is the commercial real estate loans; the second segment is the construction loans which include construction and land development loans, the third is the commercial and industrial loans which includes commercial loans and commercial lines of credit, and the fourth is the consumer loans which includes home equity lines of credit, consumer construction loans, and other consumer loans.

The calculation of the general portion of the ALL begins with historical charge-off rates. However, due to the relatively short period of time the Bank has been in existence, such charge-off history is limited and minimal. Management has, in addition, identified a number of additional qualitative factors which it uses to supplement the historical charge-off rates because these factors are likely to cause estimated credit losses associated with the existing loan pools to differ from historical loss experience. The additional factors that are evaluated quarterly and updated using information obtained from internal, regulatory, and governmental sources are: internal risk rating category as described more fully in Note 4; national and local economic trends and conditions; levels of and trends in delinquency rates and non-accrual loans; trends in volumes and terms of loans; effects of changes in lending policies; experience, ability, and depth of lending staff; value of underlying collateral; and concentrations of credit from a loan type or industry. The aggregated factors for each of the four major loan segments is applied to related outstanding loan balances to arrive at the general ALL. Management reviews the loan portfolio on a quarterly basis and adjusts the general ALL based on changes in risk profile of each loan pool.

Transfers of Financial Assets

Transfers of financial assets, including loan and 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.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

Advertising Costs

The Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expense incurred for the years ended December 31, 2010 and 2009 totaled approximately \$9 thousand and \$11 thousand, respectively.

New Jersey Community Bank

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and net operating loss carryforwards and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Bank accounts for uncertainty in income taxes recognized in its financial statements in accordance with ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Bank has not identified any significant income tax uncertainties through the evaluation of its income tax positions for the years ended December 31, 2010 and 2009, and has not recognized any liabilities for tax uncertainties as of December 31, 2010 or 2009. Our policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense; such amounts were not significant during the years ended December 31, 2010 and 2009. The tax years subject to examination by the taxing authorities are, for federal and state purposes, the years ended December 31, 2010, 2009, 2008 and 2007.

Comprehensive Income (Loss)

U.S. GAAP generally requires that recognized revenue, expenses, gains and losses be included in net income. In addition, certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of equity. The periodic changes in such items, along with net income (loss), are components of comprehensive income (loss).

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the balance sheet when they are funded.

Employee Benefit Plan

The Bank has established a 401(k) plan (“the Plan”). Under the Plan, all employees are eligible to contribute the maximum allowed by the Internal Revenue Code of 1986, as amended. The Bank may make discretionary matching contributions. For the years ended December 31, 2010 and 2009, no matching contributions were made.

Share-Based Compensation

The Bank recognizes share-based compensation in accordance with ASC Topic 718, *Compensation-Stock Compensation*. Accordingly, the Bank recognizes the cost of employee and organizer services received in share-based payment transactions and measures the cost based on the grant-date fair value of the award. The cost will be recognized over the period during which the employee or organizer is required to provide service in exchange for the award, generally defined as the vesting period.

New Jersey Community Bank

Note 1 - Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts in the 2009 financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no impact on stockholders' equity or net income (loss).

Net Income (Loss) per Common Share

Basic net income (loss) per common share was computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted net income (loss) per common share was computed by dividing net income by the weighted average number of shares of common stock outstanding adjusted for outstanding stock options and warrants, which are considered common stock equivalents, to the extent dilutive, using the treasury stock method. During the year ended December 31, 2010, all outstanding stock options and warrants were anti-dilutive. The dilution calculation was not applicable for the year ended December 31, 2009, due to the net loss recorded.

Note 2 – Due from Banks Time Deposits

At December 31, 2010 and 2009, the Bank had \$4.6 million and \$1.5 million, respectively, of time deposits with other financial institutions. At December 31, 2010, \$4.4 million of these time deposits are scheduled to mature in 2011 and \$249 thousand are scheduled to mature in 2012. The weighted average interest rate of these time deposits was 0.90% and 1.80%, respectively, at December 31, 2010 and 2009.

Note 3 – Investment Securities

The amortized cost, gross unrealized gains and losses, and estimated fair value of investment securities as of December 31, 2010 are summarized as follows:

<i>(in thousands)</i>	<u>Amortized Cost</u>	<u>Gross Unrealized</u>		<u>Fair-Value</u>
		<u>Gains</u>	<u>Losses</u>	
Available for Sale:				
U.S. Government Agency Securities	\$ 10,999	\$ 14	\$ (133)	\$ 10,880
Corporate debt securities	486	15	-	501
Total available for sale	<u>\$ 11,485</u>	<u>\$ 29</u>	<u>\$ (133)</u>	<u>\$ 11,381</u>
Held to Maturity:				
Obligations of states and political subdivisions	\$ 231	\$ 1	\$ -	\$ 232
Corporate debt securities	989	7	(6)	990
Total held to maturity	<u>1,220</u>	<u>8</u>	<u>(6)</u>	<u>1,222</u>
Total securities	<u>\$ 12,705</u>	<u>\$ 37</u>	<u>\$ (139)</u>	<u>\$ 12,603</u>

New Jersey Community Bank

The amortized cost, gross unrealized gains and losses, and fair value of securities as of December 31, 2009 are summarized as follows:

<i>(in thousands)</i>	Amortized Cost	Gross Unrealized		Fair-Value
		Gains	Losses	
Available for Sale:				
U.S. Government Agency Securities	\$ 7,000	\$ 14	\$ (17)	\$ 6,997
Corporate debt securities	463	34	-	497
Total available for sale	<u>\$ 7,463</u>	<u>\$ 48</u>	<u>\$ (17)</u>	<u>\$ 7,494</u>
Held to Maturity:				
Obligations of states and political subdivisions	\$ 256	\$ 1	\$ -	\$ 257
Total held to maturity	256	1	-	257
Total securities	<u>\$ 7,719</u>	<u>\$ 49</u>	<u>\$ (17)</u>	<u>\$ 7,751</u>

The Bank, at December 31, 2010 and 2009, had pledged to the Commissioner of Banking, State of New Jersey, securities totaling \$6 million and \$5 million, respectively, for the purpose of securing public deposits under the Governmental Unit Deposit Protection Act.

At December 31, 2010, seven U.S. Government Agency securities in the available for sale portfolio having an aggregate fair value of \$6.8 million had unrealized losses aggregating \$133 thousand or less than 2% of amortized cost. At December 31, 2010, one corporate debt security in the held to maturity portfolio having a fair value of \$494 thousand had an unrealized loss of \$6 thousand or less than 2% of amortized cost. All eight of these securities were in a loss position for less than a year. The Bank does not intend to sell these securities and it is not more likely than not that the Bank would be required to sell these securities prior to full recovery. Unrealized losses in these securities are due to current market conditions and interest rate fluctuations.

At December 31, 2009, three U.S. Government Agency Securities having an aggregate fair value of \$3 million had unrealized losses aggregating \$17 thousand. All these securities were in a loss position for less than a year.

The amortized cost and carrying value of investment securities at December 31, 2010, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<i>(in thousands)</i>	Amortized Cost	Fair-Value
Securities Available for Sale:		
Due after one year through five years	\$ 6,485	\$ 6,473
Due after five years through ten years	5,000	4,908
	<u>11,485</u>	<u>11,381</u>
Securities Held to Maturity:		
Due within one year	231	232
Due after five years through ten years	989	990
	<u>1,220</u>	<u>1,222</u>
	<u>\$ 12,705</u>	<u>\$ 12,603</u>

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Note 4 - Loans Receivable and the Allowance for Loan Losses

The composition of loans receivable at December 31, 2010 and 2009 is as follows:

<i>(in thousands)</i>	Commercial Real Estate	Commercial Construction	Commercial and Industrial	Consumer Loans	Total
December 31, 2010					
Total Loans	<u>\$ 57,951</u>	<u>\$ 7,630</u>	<u>\$ 14,098</u>	<u>\$ 5,014</u>	<u>\$ 84,693</u>
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	\$ 57,951	\$ 7,630	\$ 14,098	\$ 5,014	\$ 84,693
December 31, 2009					
Total Loans	<u>\$ 38,888</u>	<u>\$ 5,203</u>	<u>\$ 12,354</u>	<u>\$ 1,947</u>	<u>\$ 58,392</u>
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	\$ 38,888	\$ 5,203	\$ 12,354	\$ 1,947	\$ 58,392

Consumer loans in the above table include home equity lines of credit, consumer construction loans, and all other consumer loans.

For all of its loan types discussed below, management adheres to a credit policy designed to minimize credit risk while generating the maximum income given the level of risk. Management reviews and approves these policies and procedures on a regular basis with subsequent approval by the Board of Directors annually. A reporting system supplements the review process by providing management with frequent reports concerning loan production, loan quality, concentrations of credit, loan delinquencies, non-performing, and potential problem loans. Loan portfolio diversification is an important factor utilized by management to manage its risk across business sectors and through cyclical economic circumstances.

Commercial real estate loans are secured primarily by commercial retail space and office buildings and are subject to underwriting standards and processes similar to commercial and industrial loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real property. Loans generally involve larger principal balances and longer repayment periods as compared to commercial and industrial loans. Repayment of most loans is dependent upon the cash flow generated from the property securing the loan or the business that occupies the property. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy and accordingly conservative loan to value ratios based on independent appraisals are required at origination, as well as, stress tested to evaluate the impact of market changes relating to key underwriting elements. The properties securing the commercial real estate portfolio represent diverse types, with most properties located within the Bank's primary markets.

With respect to loans to developers and builders, the Bank originates and manages commercial and residential construction loans structured on either a revolving or non-revolving basis, depending on the nature of the underlying development project. These loans are generally secured by the real estate to be developed and may also be secured by additional real estate to mitigate the risk. Non-revolving construction loans often involve the disbursement of substantially all committed funds with repayment substantially dependent on the successful completion and sale, or lease, of the project. Sources of repayment for these types of loans may be from conversion to permanent loans extended by the Bank, sales of developed property, or permanent financing obtained elsewhere. Revolving

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construction loans (generally relating to single family residential construction) are controlled with loan advances dependent upon the presale of housing units financed. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

The Bank's commercial and industrial loan portfolio is granted to customers of proven ability, strong repayment performance, and high character. Underwriting standards are designed to assess the borrower's ability to generate recurring cash flow sufficient to meet the debt service requirements of loans granted. While such recurring cash flow serves as the primary source of repayment, a significant number of the loans are collateralized by borrower assets intended to serve as a secondary source of repayment should the need arise. Such collateralized assets may include inventory, machinery and equipment, receivables and real estate. Anticipated cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Short-term loans may be made on an unsecured basis based on a borrower's financial strength and past performance. The Bank, in most cases, will obtain the personal guarantee of the borrower's principals to mitigate the risk.

The Bank also makes consumer loans consisting primarily of home equity loans and lines of credit and owner-occupied construction loans, with smaller exposures to residential mortgage loans, automobile loans and personal loans.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of "substandard," "doubtful," "loss" and "special mention." An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated special mention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans which do not meet the criteria to be classified in the aforementioned categories are classified as "Pass".

In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

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The following table presents the classes of the loan portfolio summarized by the aggregate pass and the criticized categories of special mention, substandard and doubtful within the internal risk rating system as of December 31, 2010.

<i>(in thousands)</i>	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2010					
Commercial real estate	\$ 57,951	\$ -	\$ -	\$ -	\$ 57,951
Commercial construction	7,630	-	-	-	7,630
Commercial and industrial	13,693	405	-	-	14,098
Consumer	5,014	-	-	-	5,014
Total loans	<u>\$ 84,288</u>	<u>\$ 405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,693</u>

The following table summarizes the primary segments of the allowance for loan losses, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment as of December 31, 2010.

<i>(in thousands)</i>	Commercial Real Estate	Commercial Construction	Commercial and Industrial	Consumer Loans	Total
December 31, 2010					
Total allowance for loan losses:	<u>\$ 657</u>	<u>\$ 94</u>	<u>\$ 185</u>	<u>\$ 39</u>	<u>\$ 975</u>
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	657	94	185	39	975

The changes in the allowance for loan losses for the years ended December 31, 2010 and 2009 are as follows:

<i>(in thousands)</i>	<u>2010</u>	<u>2009</u>
Beginning Balance	<u>\$ 664</u>	<u>\$ 245</u>
Less charge-offs:		
Commercial and industrial	<u>(161)</u>	<u>(300)</u>
Total Charge-offs	<u>(161)</u>	<u>(300)</u>
Provision for Loan Losses	<u>472</u>	<u>719</u>
Ending Balance	<u>\$ 975</u>	<u>\$ 664</u>

At December 31, 2010, the Bank had no nonaccrual loans, impaired loans, or loans past due 30 days or more.

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At December 31, 2009, the Bank had one nonaccrual loan with a balance of \$118 thousand that was classified as impaired. That loan was subject to a \$59 thousand specific loan loss allowance. There were no other loans past due 30 days or more.

The average balance of impaired loans and the interest recorded thereon was not significant during the years ended December 31, 2010 and 2009.

Note 5 - Bank Premises and Equipment

The components of premises and equipment at December 31, 2010 and 2009 are as follows:

<i>(in thousands)</i>	Estimated Useful Lives	December 31,	
		2010	2009
Leasehold improvements	3 - 39	2,298	\$ 2,290
Furniture, fixtures and equipment	5 - 7	489	484
Computer software	5 - 6	59	59
Automobiles	5	90	42
		<u>2,936</u>	<u>2,875</u>
Accumulated depreciation		<u>(402)</u>	<u>(223)</u>
Premises and equipment, net		<u>\$ 2,534</u>	<u>\$ 2,652</u>

Note 6 - Deposits

The components of deposits at December 31, 2010 and 2009 are as follows:

<i>(in thousands)</i>	December 31,	
	2010	2009
Non-interest bearing	\$ 5,709	\$ 4,382
NOW and savings accounts	17,717	5,028
Money market accounts	12,023	6,761
Time deposits \$100M and over	41,110	36,027
Time deposits, other	21,296	22,816
	<u>\$ 97,855</u>	<u>\$ 75,014</u>

At December 31, 2010, the scheduled maturities of time deposits are as follows:

<i>(in thousands)</i>	
2011	\$ 39,471
2012	13,616
2013	5,767
2014	3,502
2015	50
	<u>\$ 62,406</u>

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Note 7 - Lease Commitments and Total Rental Expense

The Bank has an operating lease on the land on which stands its facility in Freehold, New Jersey. This lease is with a related party (see Note 11). In March 2009, the Bank entered into an operating lease for a building that houses the Neptune City branch. In February 2011, the Bank entered into an operating lease for a future branch office site. Future minimum lease payments by year under these non-cancellable lease agreements are as follows:

<i>(in thousands)</i>	
2011	\$ 228
2012	219
2013	212
2014	223
2015	234
Thereafter	<u>1,370</u>
	<u>\$ 2,486</u>

Lease rental expense for the years ended December 31, 2010 and 2009 was \$202 thousand and \$173 thousand, respectively.

Note 8 - Employment Agreements

The Bank entered into three-year employment agreements with two officers. The agreements include minimum annual salary commitments and change of control provisions. Upon resignation after a change in the control of the Bank, as defined in the agreement, the individual will receive monetary compensation in the amount set forth in the agreements.

Note 9 - Income Taxes

The components of income tax expense (benefit) are summarized as follows:

<i>(in thousands)</i>	<u>2010</u>	<u>2009</u>
Federal-		
Current	\$ -	\$ -
Deferred	<u>(920)</u>	<u>-</u>
	<u>(920)</u>	<u>-</u>
State-		
Current	5	-
Deferred	<u>(270)</u>	<u>-</u>
	<u>(265)</u>	<u>-</u>
	<u>\$ (1,185)</u>	<u>\$ -</u>

Deferred income tax benefits recorded in 2010 include \$1.2 million for the reversal of deferred tax asset valuation allowances. Federal and State portions of such amount were \$920 thousand and \$270 thousand, respectively. Based upon current facts and circumstances, management has determined that, at December 31, 2010, it is more likely than not that there will be sufficient taxable income in future years to realize all deferred tax assets. However, there can be no assurances about the level of future earnings.

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A comparison of income tax expense (benefit) at the Federal statutory rate in 2010 and 2009 to the recorded income tax expense (benefit) is as follows:

(in thousands)	2010	2009
Federal income tax expense (benefit)	\$ 50	\$ (474)
Add (deduct) effect of:		
State income taxes net of federal income tax effect	4	-
Qualified stock options	(34)	(12)
Change in deferred tax asset valuation allowance	(1,190)	544
Other items, net	(15)	(58)
Income tax expense (benefit)	<u>\$ (1,185)</u>	<u>\$ -</u>

The components of the net deferred tax assets (liabilities) are as follows:

(in thousands)	December 31,	
	2010	2009
Deferred tax assets:		
Allowance for loan losses	\$ 348	\$ 223
Organization costs	178	185
Net operating loss carryforwards	713	955
Stock warrants and options	137	108
Unrealized losses on available for sale securities	42	-
Other	-	4
	<u>1,418</u>	<u>1,475</u>
Valuation allowance	-	(1,282)
Total Deferred Tax Assets, Net of Valuation Allowance	<u>1,418</u>	<u>193</u>
Deferred tax liabilities:		
Property and equipment depreciation	(77)	(84)
Cash basis adjustment – accrued income and expense	(102)	(102)
Unrealized gains on available for sale securities	-	(12)
Other	(7)	(7)
	<u>(186)</u>	<u>(205)</u>
Net Deferred Tax Asset (Liability)	<u>\$ 1,232</u>	<u>\$ (12)</u>

At December 31, 2010, the Bank has available unused net operating loss carryforwards for federal and state income tax purposes of approximately \$1.8 million and \$1.5 million, respectively. The Federal amount is scheduled to expire during the years 2025 through 2029; the State amount during the years 2013 through 2029.

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Note 10 - Transactions with Executive Officers, Directors and Principal Stockholders

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, their immediate families and affiliated companies (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. There were \$4.4 million and \$4.1 million in loans receivable from related parties at December 31, 2010 and 2009, respectively. During the year ended December 31, 2010, new loans and loan payments totaled \$625 and \$339 thousand, respectively. Deposits of related parties totaled \$9.7 million and \$3.6 million as of December 31, 2010 and 2009, respectively.

The Bank leases the land beneath its main operating facilities in Freehold, New Jersey, from a related party. The lease terms are comparable to similar properties in the Bank's market. The initial lease term is fifteen years, but the Bank has the right to extend the term of the lease for seven additional five-year terms. The Bank is also required to pay certain operating expenses, primarily real estate taxes and assessments, in addition to the base rent. Total payments made under this lease were \$204 thousand and \$216 thousand, respectively, during the year ended December 31, 2010 and 2009. See Note 7 for data relating to this lease.

Note 11 - Share-Based Compensation

The members of the Bank's Board of Directors (including those who are also officers of the Bank) contributed "at risk" capital to pay the pre-opening expenses of the Bank. In addition, the members of the Board of Directors will not receive any fees for serving as directors until such time as the Bank's operations become profitable. In consideration of these matters, in conjunction with the completion of the Bank's initial public stock offering on February 28, 2008, the Board members were each granted one warrant for every \$10.00 of "at risk" capital contributed (for a total of 229,520 warrants). Each warrant entitles the holder to purchase one share of common stock at a price of \$10.00 per share, and was immediately exercisable upon issuance. These warrants have a term of 10 years. No person was granted warrants to purchase more shares than the amount equal to (i) the amount of "at risk" capital he or she contributed to the pre-opening expense fund dividend by (ii) the public offering price for the Bank's common stock of \$10.00 per share. In the aggregate, 229,520 shares of the Bank's common stock may be purchased upon exercise of all of the issued warrants.

These warrants contain anti-dilution provisions providing for appropriate adjustment in the event of any recapitalization, reclassification, stock dividend, stock split or similar transactions. The warrants do not entitle the holder to any rights as a stockholder of the Bank until such warrants are exercised and the shares of common stock are purchased. These warrants and the shares of common stock issuable under these warrants will be freely transferable.

On April 30, 2009, shareholders of the Bank approved the New Jersey Community Bank 2009 Stock Option Plan (the "Plan"). The total number of options to purchase shares of Bank common stock that may be issued pursuant to the Plan is 247,317. The Plan covers all employees and directors of the Bank. The option price for options issued under the Plan will be equal to or greater than the fair market value of the Bank's common stock on the date of grant. Options are exercisable from the date of grant and generally expire ten years after the date of grant, though earlier expiration will apply in cases of cessation of employment, death or disability. These options vest over a five year period at the rate of 20% at each successive grant anniversary date. At December 31, 2010, there are 9,317 options available in this Plan for future grants. The Bank plans to issue shares from currently authorized shares for any options exercised.

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The following is a summary of the Bank's share-based compensation activity and related information for the years ended December 31, 2010 and 2009:

	<u>Warrants and Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value</u>
Stock warrants granted in 2008	229,520	\$ 10.00		
Outstanding at December 31, 2008	229,520	10.00		
Stock Options granted in 2009:	200,000	10.00		
	38,000	8.21		
Outstanding at December 31, 2009	467,520	9.85		
Stock Options granted in 2010:	-	-		
Outstanding at December 31, 2010	<u>467,520</u>	<u>\$ 9.85</u>	<u>8.0</u>	<u>\$ -</u>
Exercisable at December 31, 2010	<u>330,624</u>	<u>\$ 9.95</u>	<u>7.5</u>	<u>\$ -</u>

In October 2009, the Bank granted 238,000 stock options. The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 0%; risk-free interest rate of 2.99%; expected life of 7 years and expected volatility of 163.78%. The volatility percentage was based on the average expected volatility of the Bank's stock. The average fair value of the options granted in 2009 was \$3.59 per option.

Total share-based compensation cost for the years ended December 31, 2010 and 2009 was \$171 and \$34 thousand, respectively. There were no tax benefits recognized related to the share-based compensation expense due to the net operating loss incurred.

As of December 31, 2010, unrecognized compensation cost related to nonvested stock options was \$649 thousand and is expected to be expensed over the next 3.8 years.

Note 12 - Financial Instruments with Off-Balance Sheet Risk

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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The Bank had the following off-balance sheet financial instruments whose contract amounts represent credit risk at December 31, 2010 and 2009:

<i>(in thousands)</i>	December 31,	
	2010	2009
Commitments to grant loans	\$ 6,032	\$ 13,745
Unfunded commitments under lines of credit	11,250	8,322
	<u>\$ 17,282</u>	<u>\$ 22,067</u>

Of the \$6 million in commitments to grant loans at December 31, 2010, \$3.9 million were at fixed rates and \$2.1 million were floating or adjustable rates.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory and equipment.

Note 13 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the 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 Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets and of Tier 1 capital to average assets. Management believes, as of December 31, 2010, that the Bank meets all capital adequacy requirements to which it is subject.

The Federal Deposit Insurance Corporation requires that the Bank maintain a ratio of Tier 1 leverage capital to total assets of at least 8% during the first three years of operation. Under these guidelines, the Bank is considered well capitalized as of December 31, 2010.

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The Bank's actual capital amounts and ratios at December 31, 2010 and 2009, are presented below:

<i>(dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2010						
Total capital (to risk-weighted assets)	\$ 14,741	15.65%	\$ 7,535	8.00%	\$ 9,419	10.00%
Tier 1 Capital (to risk-weighted assets)	13,766	14.61%	3,768	4.00%	5,653	6.00%
Tier 1 Capital (to average assets)	13,766	12.69%	4,339	4.00%	5,424	5.00%
As of December 31, 2009						
Total capital (to risk-weighted assets)	\$ 13,772	20.76%	\$ 5,307	8.00%	\$ 6,634	10.00%
Tier 1 Capital (to risk-weighted assets)	13,108	19.76%	2,653	4.00%	3,980	6.00%
Tier 1 Capital (to average assets)	13,108	15.71%	3,337	4.00%	4,172	5.00%

The Bank is subject to certain restrictions on the amount of dividends that it may declare due to regulatory considerations.

Note 14 - Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Our securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets and liabilities on a non-recurring basis, such as securities held to maturity, impaired loans and other real estate owned. Fair value is defined as the price to sell an asset or to transfer a liability in an orderly transaction between willing market participants as of the measurement date. Fair value is best determined by values quoted through active trading markets. Active trading markets are characterized by numerous transactions of similar financial instruments between willing buyers and willing sellers. Because no active trading market exists for various types of financial instruments, many of the fair values disclosed were derived using present value discounted cash flows or other valuation techniques described below. As a result, the Bank's ability to actually realize these derived values cannot be assumed. U.S. GAAP has established a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

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An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

Fair Value Measurements at December 31, 2010 Using:				
<i>(in thousands)</i>	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities:				
Available for sale:				
December 31, 2010	\$ 11,381	\$ -	\$ 11,381	\$ -
December 31, 2009	\$ 7,494	\$ -	\$ 7,494	\$ -

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial assets and financial liabilities measured at fair value on a non-recurring basis at December 31, 2010 and 2009 are as follows:

<i>(in thousands)</i>	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
December 31, 2010:				
Impaired loan	\$ -	\$ -	\$ -	\$ -
December 31, 2009:				
Impaired loan	\$ -	\$ -	\$ 59	\$ 59

The impaired loans measured at fair value and included in the above table at December 31, 2009 had a principal balance of \$118 thousand and a specific loan loss allowance of \$59 thousand.

The impaired loan was measured and impairment recognized generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third party appraisals of the properties, or discounted cash flows based on the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balance less the specific loan loss allowance.

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The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and Cash Equivalents, Accrued Interest Receivable and Accrued Interest Payable (Carried at Cost)

The carrying amounts reported in the balance sheet for cash and cash equivalents, accrued interest receivable and accrued interest payable approximate fair value.

Securities Available for Sale (Carried at Fair Value) and Held to Maturity (Carried at Amortized Cost)

The fair value for debt securities, both available for sale and held to maturity are obtained from an independent pricing service and are based on quoted market prices or dealer prices (Level 1), if available. If quoted market prices are not available, fair values are primarily determined by obtaining matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Loans Receivable (Carried at Amortized Cost)

The fair values of loans, excluding impaired loans subject to specific loss reserves, are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that re-price frequently and with no significant change in credit risk, fair values are based on carrying values.

Deposits

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, savings, and certain types of money market accounts, etc.) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on the various certificates of deposit to the cash flow stream.

Commitments to Extend Credits

The fair value of commitments to fund credit lines and originate or participate in loans is estimated using fees currently charged to enter into similar agreements taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest and the committed rates. The carrying value, represented by the net deferred fee arising from the unrecognized commitment, and the fair value, determined by discounting the remaining contractual fee over the term of the commitment using fees currently charged to enter into similar agreements with similar credit risk, was not considered material at December 31, 2010.

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The following table presents the carrying amounts and estimated fair values of financial instruments at December 31, 2010:

<i>(in thousands)</i>	December 31, 2010	
	<u>Carrying Amounts</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 7,253	\$ 7,253
Due from banks - time deposits	4,612	4,612
Securities available for sale	11,381	11,381
Securities held to maturity	1,220	1,222
Loans receivable	83,718	84,205
Accrued interest receivable	304	304
Financial liabilities:		
Deposits	97,855	98,459
Accrued interest payable	12	12

Note 15 – Recent Accounting Pronouncements

In January 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-01, Deferral of the Effective Date of Disclosure about Troubled Debt Restructurings in ASU No. 2010-20. ASU 2011-01 deferred the disclosure requirements related to troubled debt restructurings that were required at December 31, 2010 under ASU 2010-20 but did not defer the effective date of the other disclosure requirements in ASU 2010-20. This guidance is not expected to have a significant impact on the Bank’s financial position or results of operations.

In July 2010, the FASB issued ASU No. 2010-20, Disclosure about the Credit Quality of Finance Receivables and Allowance for Credit Losses (Topic 310). ASU 2010-20 adds new disclosures about the credit quality of finance receivables and the allowance for credit losses. The new disclosures would allow the user of the financial statements to have a better understanding of the entity’s credit risk and how entity assesses that risk in estimating allowance for credit losses as well as the changes in allowance and the reasons for those changes. This ASU is effective for interim and annual periods ending on or after December 15, 2010. The adoption of this guidance did not impact the Bank’s financial statements.