
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

PDL Community Bancorp
(Exact Name of Registrant as Specified in Its Charter)

Federal
(State or other jurisdiction of
incorporation or organization)

6035
(Primary Standard Industrial
Classification Code Number)

Being applied for
(I.R.S. Employer
Identification Number)

**2244 Westchester Avenue
Bronx, New York 10462
(718) 931-9000**
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Carlos P. Naudon
President and Chief Executive Officer
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(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share (1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common Stock, \$0.01 par value per share	8,917,641	\$10.00	\$89,176,410	\$10,336

(1) Estimated solely for purposes of calculating the amount of the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS

[Logo of PDL Community Bancorp]

(Proposed Holding Company for Ponce Bank)

Up to 7,224,663 Shares of Common Stock

(Subject to increase to up to 8,308,362 shares)

PDL Community Bancorp is offering up to 7,224,663 shares of its common stock for sale at \$10.00 per share on a best efforts basis in connection with the reorganization of Ponce De Leon Federal Bank into the mutual holding company form of ownership. There is no established market for our common stock. We expect that our common stock will be traded on the Nasdaq Global Market under the symbol "PDLB" upon conclusion of the stock offering. We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012.

The shares being offered represent 45% of the shares of common stock of PDL Community Bancorp that will be outstanding following the offering. In addition, we will contribute \$200,000 and 3.3% of our then outstanding shares of common stock following the offering to a new charitable foundation, the Ponce De Leon Foundation, which we are establishing in connection with the reorganization. After the offering, 51.7% of our outstanding common stock will be owned by Ponce Bank Mutual Holding Company, our federally chartered mutual holding company. These percentages will not be affected by the number of shares we sell in the offering. We must sell a minimum of 5,339,969 shares in order to complete the offering. We may sell up to 8,308,362 shares to reflect demand for the shares or changes in market conditions following the commencement of the offering, without resoliciting subscribers.

We are offering the shares of common stock in a "subscription offering" to eligible depositors and borrowers of Ponce De Leon Federal Bank and to our tax-qualified employee benefit plan. Depositors who had accounts with aggregate balances of at least \$50 at the close of business on October 31, 2015 will have first priority to purchase shares of common stock of PDL Community Bancorp. Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a "community offering." To the extent any shares offered for sale are not purchased in the subscription or community offerings, they may be sold in a "syndicated community offering" to be managed by Raymond James & Associates, Inc.

The minimum number of shares of common stock you may order is 25 shares. The maximum number of shares of common stock that can be ordered by any person in the offering, or persons exercising subscription rights through a single deposit account, is 30,000 shares, and no person together with an associate or group of persons acting in concert may purchase more than 50,000 shares.

The offering is scheduled to expire at [expiration time], Eastern Time on [expiration date]. We may extend the expiration date without notice to you, until [extension date], or such later date as the Board of Governors of the Federal Reserve System may approve, which may not be beyond [final extension date]. Once submitted, orders are irrevocable unless the offering is terminated or extended beyond [extension date], or the number of shares of common stock to be sold is increased to more than 8,308,362 shares or decreased to less than 5,339,969 shares. If the offering is extended beyond [extension date], all subscribers will be notified and given an opportunity to confirm, cancel or change their orders. If you do not respond to this notice, we will promptly return your funds with interest or cancel your deposit account withdrawal authorization. If the number of shares to be sold in the offering is increased to more than 8,308,362 shares or decreased to less than 5,339,969 shares, we will resolicit subscribers, and all funds delivered to us to purchase shares of common stock in the subscription and community offerings will be returned promptly with interest. Funds submitted for the purchase of shares in the offering will be held in a segregated account at Ponce De Leon Federal Bank and will earn interest at [interest rate]% per annum until completion or termination of the offering.

Raymond James & Associates, Inc. will use its best efforts to assist us in selling our common stock, but is not obligated to purchase any of the common stock that is being offered for sale. In addition, officers and directors may participate in the solicitation of offers to purchase common stock in reliance upon Rule 3a4-1 under the Securities Exchange Act of 1934, as amended. Subscribers will not pay any commissions to purchase shares of common stock in the offering.

This investment involves a degree of risk, including the possible loss of principal. Please read the "[Risk Factors](#)" beginning on page 19.

OFFERING SUMMARY

Price: \$10.00 per share

	Minimum	Midpoint	Maximum	Adjusted Maximum
Number of shares	5,339,969	6,282,316	7,224,663	8,308,362
Gross offering proceeds	\$53,399,690	\$62,823,160	\$72,246,630	\$ 83,083,620
Estimated offering expenses, excluding selling agent fees and expenses	\$ 1,800,560	\$ 1,800,560	\$ 1,800,560	\$ 1,800,560
Estimated selling agent fees and expenses (1)	\$ 634,100	\$ 720,126	\$ 806,151	\$ 905,081
Estimated net proceeds (1)	\$50,965,030	\$60,302,474	\$69,639,919	\$ 80,377,979
Estimated net proceeds per share (1)	\$ 9.54	\$ 9.60	\$ 9.64	\$ 9.67

- (1) The figures shown assume that all shares are sold in the subscription and the community offering, and include estimated reimbursable expenses. See “The Reorganization and Offering—Plan of Distribution and Marketing Arrangements” for a discussion of Raymond James & Associates, Inc.’s compensation for this offering and the compensation to be received by Raymond James & Associates, Inc. and the other broker-dealers who may participate in a syndicated community offering. If all shares of common stock were sold in the syndicated community offering, excluding those purchased by our insiders and our employee stock ownership plan, for which no selling agent fee will be paid, the maximum selling agent fees and expenses would be \$3.0 million, \$3.5 million, \$4.0 million and \$4.6 million at the minimum, midpoint, maximum and adjusted maximum levels of the offering, respectively.

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. None of the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

RAYMOND JAMES

For assistance, please contact the Stock Information Center at [stock center number].

The date of this prospectus is [prospectus date].

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[Map of Ponce De Leon Federal Bank market area appears on
inside front cover]

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SUMMARY

The following summary explains material information regarding the reorganization, the offering of common stock by PDL Community Bancorp and the business of Ponce De Leon Federal Bank. The summary may not contain all the information that is important to you. For additional information, you should read this entire prospectus carefully, including the financial statements and the notes to the financial statements of Ponce De Leon Federal Bank. In certain circumstances, where appropriate, the terms “we,” “us” and “our” refer collectively to Ponce Bank Mutual Holding Company, PDL Community Bancorp and Ponce De Leon Federal Bank and Ponce Bank (prior to and following completion of the reorganization) or to any of those entities, depending on the context.

The Companies

Ponce Bank Mutual Holding Company

Upon completion of the reorganization and the offering, Ponce Bank Mutual Holding Company will become the federally chartered mutual holding company of PDL Community Bancorp. Ponce Bank Mutual Holding Company currently operates as Ponce De Leon Federal Bank which, upon completion of the reorganization, will become Ponce Bank Mutual Holding Company. As a mutual institution Ponce De Leon Federal Bank is and, following completion of the reorganization as a mutual holding company Ponce Bank Mutual Holding Company will be, a non-stock company. Ponce Bank Mutual Holding Company will have as its members all holders of the deposit accounts at Ponce Bank and borrowers of Ponce De Leon Federal Bank as of April 11, 1985 whose borrowings remain outstanding with Ponce Bank. As a mutual holding company, Ponce Bank Mutual Holding Company is required by law to always own a majority of the voting stock of PDL Community Bancorp.

PDL Community Bancorp

PDL Community Bancorp will be chartered under federal law and will own 100% of the common stock of Ponce Bank following the reorganization and offering. This offering is being made by PDL Community Bancorp. PDL Community Bancorp is not currently an operating company and will be formed upon completion of the reorganization. Our executive office will be located at 2244 Westchester Avenue, Bronx, New York 10462, and our telephone number will be (718) 931-9000.

Upon completion of the offering, public stockholders will own a minority of PDL Community Bancorp’s common stock and will not be able to exercise voting control over most matters put to a vote of stockholders. In addition, as a “controlled corporation” following the offering, PDL Community Bancorp will be exempt from certain corporate governance requirements, including that a majority of our board of directors be independent under applicable standards, and that executive compensation and director nominations be overseen by independent directors. However, at the present time, a majority of our directors would be considered independent under applicable corporate governance listing standards.

Ponce De Leon Federal Bank

Ponce De Leon Federal Bank is a federally chartered savings association headquartered in Bronx, New York. Ponce De Leon Federal Bank was originally chartered in 1960 as a federally chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, we changed our name to “Ponce De Leon Federal Savings Bank.” In 1997, we changed our name to “Ponce De Leon Federal Bank.” We are designated a Minority Depository Institution (“MDI”) under applicable banking regulations.

We conduct our business from our administrative office and 13 branch offices. Our banking offices are located in Bronx, Manhattan, Queens and Brooklyn, New York and Union City, New Jersey. Our primary market area currently consists of the New York City metropolitan area.

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At December 31, 2016, we had total assets of \$745.0 million, gross loans receivable of \$651.6 million, total deposits of \$643.1 million and capital of \$93.0 million. We had net income of \$1.4 million for the fiscal year ended December 31, 2016.

Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations, in mortgage loans, consisting of one-to-four family residences (both investor owned and owner occupied), multifamily residences, nonresidential property and construction and land, and, to a lesser extent, in business and consumer loans. We also invest in securities, which have historically consisted of U.S. Government and federal agency securities and securities issued by government sponsored or owned enterprises, as well as, mortgage-backed securities and Federal Home Loan Bank stock. We offer a variety of deposit accounts, including demand accounts, interest-bearing deposits and certificate of deposit accounts. We have made limited use of borrowings in recent years to fund our operations.

Ponce De Leon Federal Bank is subject to comprehensive regulation and examination by its primary federal regulator, the Office of the Comptroller of the Currency.

Our executive office is located at 2244 Westchester Avenue, Bronx, New York 10462, and our telephone number at this address is (718) 931-9000. Our website address is www.poncebank.com. Information on our website is not and should not be considered a part of this prospectus.

Ponce Bank

Upon completion of the reorganization and the offering, all of the assets, except for \$200,000, and liabilities of Ponce De Leon Federal Bank will be transferred to and assumed by a federally chartered stock savings bank, owned 100% by PDL Community Bancorp and known as and conducting business under the name "Ponce Bank." Ponce Bank will continue to operate its business from our administrative office and 13 branch offices referred to above and will continue to be subject to comprehensive regulation and examination by the Office of the Comptroller of the Currency.

In certain circumstances, where appropriate, reference to Ponce De Leon Federal Bank, Ponce Bank or Bank are intended to refer to one and the same savings bank.

Our Reorganization into a Mutual Holding Company and the Offering

We do not have stockholders in our current mutual form of ownership. Our depositors, and borrowers as of April 11, 1985 whose borrowings remain outstanding, currently have the right to vote on certain matters pertaining to Ponce De Leon Federal Bank, such as the election of directors and the proposed mutual holding company reorganization. The mutual holding company reorganization is a series of transactions by which we will reorganize our corporate structure from our current status as a mutual savings association to the mutual holding company form of ownership. The reorganization will be conducted pursuant to a plan of reorganization and stock issuance plan, which we refer to as the plan of reorganization. Following the reorganization, all of the assets, except for \$200,000, and liabilities of Ponce De Leon Federal Bank will be transferred to and assumed by a federal stock savings bank subsidiary of PDL Community Bancorp, operating under the name Ponce Bank, and PDL Community Bancorp will be a majority-owned subsidiary of Ponce Bank Mutual Holding Company. After the reorganization, our depositors and certain borrowers will become members of Ponce Bank Mutual Holding Company, and will continue to have the same voting rights in Ponce Bank Mutual Holding Company as they had in Ponce De Leon Federal Bank prior to the reorganization.

In connection with the reorganization, we are offering shares of common stock of PDL Community Bancorp for sale in the offering. All investors will pay the same price per share in the offering. The \$10.00 per share price was selected primarily because it is the price most commonly used in mutual holding company reorganizations and stock offerings. See "—Terms of the Offering."

The primary reasons for our decision to reorganize into a mutual holding company and conduct the offering are to establish an organizational structure that will enable us to:

- increase our capital to support future growth and profitability, although we currently have capital well in excess of all applicable regulatory requirements;
- compete more effectively in the financial services marketplace;

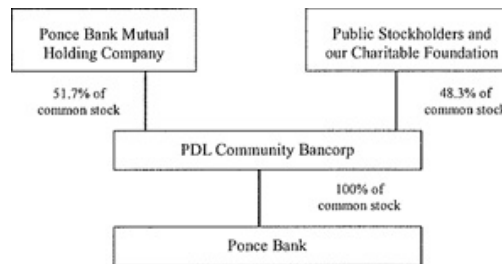
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- offer our depositors, employees, management and directors an equity ownership interest in PDL Community Bancorp, and thereby an economic interest in our future success;
- attract and retain qualified personnel by establishing stock-based benefit plans;
- increase our flexibility to structure and finance the expansion of our operations, including potential acquisitions of other financial institutions and establishing de novo branches; and
- support our local communities through the contributions to our charitable foundation.

The reorganization and the capital raised in the offering are expected to provide us with additional capital to support new loans and higher lending limits, support the growth of our banking franchise, provide an additional cushion against unforeseen risks and expand our asset and deposit base. The reorganization and offering also will allow us to establish stock-based benefit plans for management and other employees that we believe will permit us to attract and retain qualified personnel.

Unlike a standard mutual-to-stock conversion transaction in which all of the common stock of the holding company of the converting savings association is sold to the public, only a minority of the stock is sold to the public in a mutual holding company reorganization. In a mutual holding company structure, federal law and regulations require that a majority of the outstanding common stock of PDL Community Bancorp must be held by our mutual holding company. Consequently, the shares that we are permitted to sell in the offering represent a minority of the shares of PDL Community Bancorp that will be outstanding upon the closing of the reorganization. As a result, a mutual holding company offering raises less than half the capital that would be raised in a standard conversion offering. Based on these restrictions and an evaluation of our capital needs, our board of directors has decided that 45% of our outstanding shares of common stock will be offered for sale in the offering, 3.3% of our then outstanding shares will be contributed to our charitable foundation, and 51.7% of our outstanding shares will be retained by Ponce Bank Mutual Holding Company. Our board of directors has determined that offering 45% of our outstanding shares of common stock for sale in the offering will enable management to effectively invest the capital raised in the offering. See “—Possible Conversion of Ponce Bank Mutual Holding Company to Stock Form.”

The following chart shows our corporate structure following the reorganization and offering:



Business Strategy

Our goal is to provide long-term value to our stockholders, customers, employees and the communities we serve by executing a safe and sound business strategy that produces increasing earnings and enterprise value. We believe there is a significant opportunity for a community-focused bank to provide a full range of financial services to retail, business and non-profit customers in our market area, and the increased capital we will have after the completion of the offering will enable us to compete more effectively in the financial services industry.

Our current community-focused business strategy consists of the following:

- continue to expand our multifamily and nonresidential loan portfolio;
- introduce new lending programs through the Small Business Administration (SBA) and the Community Development Financial Institution (CDFI) program;
- manage credit risk to maintain a low level of nonperforming assets;
- continue to increase core deposits and add alternative non-core funding sources;
- expand our employee base and information technology to support future growth; and
- grow organically and through opportunistic bank or branch acquisitions.

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A full description of our business strategy can be found under “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Ponce De Leon Federal Bank – Business Strategy and a full description of our products and services can be found under “Business of Ponce De Leon Federal Bank.”

Terms of the Offering

We are offering between 5,339,969 and 7,224,663 shares of common stock of PDL Community Bancorp to eligible depositors and borrowers, our tax-qualified employee benefit plan and to the public to the extent shares remain available. The amount of capital we are raising in the offering is based on an appraisal of the pro forma market value of PDL Community Bancorp. We may increase the maximum number of shares that we sell in the offering by up to 15%, to 8,308,362 shares, as a result of demand for the shares of common stock in the offering or changes in market conditions, including those for financial institutions’ stocks. Subscription priorities have been established for the allocation of common stock to the extent the subscription offering is oversubscribed. See “The Reorganization and Offering—Offering of Common Stock—Subscription Rights” for a description of allocation procedures in the event of an oversubscription.

Unless the pro forma market value of PDL Community Bancorp decreases below \$118.7 million or increases above \$184.6 million, or the offering is extended beyond [extension date], you will not have the opportunity to change or cancel your stock order. The offering price of the shares of common stock is \$10.00 per share. All investors will pay the same \$10.00 purchase price per share. Investors will not be charged a commission to purchase shares of common stock. Raymond James & Associates, Inc., our financial advisor in connection with the reorganization and offering, will use its best efforts to assist us in selling our shares of common stock, but Raymond James & Associates, Inc. is not obligated to purchase any shares in the offering.

Persons Who May Order Stock in the Offering

We are offering the shares of common stock of PDL Community Bancorp in a “subscription offering” in the following descending order of priority:

- (1) depositors who had accounts at Ponce De Leon Federal Bank with aggregate balances of at least \$50 at the close of business on October 31, 2015;
- (2) the tax-qualified employee benefit plan of Ponce De Leon Federal Bank (our employee stock ownership plan);
- (3) depositors who had accounts at Ponce De Leon Federal Bank with aggregate balances of at least \$50 at the close of business on [supplemental eligibility record date]; and
- (4) other depositors of Ponce De Leon Federal Bank at the close of business on [other record date] and borrowers from Ponce De Leon Federal Bank as of April 11, 1985 who maintained such borrowings as of the close of business on [other record date].

Any shares of our common stock that remain unsold in the subscription offering may be offered for sale in a community offering that may commence concurrently with, during or promptly after, the subscription offering. The community offering, if any, must be completed within 45 days of the end of the subscription offering, unless extended with Federal Reserve Board approval. Natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, New York, Queens and Kings and the New Jersey County of Hudson will have a purchase preference in any community offering. Shares also may be offered to the general public. We also may offer shares of common stock not purchased in the subscription offering or the community offering through a syndicate of brokers in what is referred to as a syndicated community offering managed by Raymond James & Associates, Inc. We have the right to accept or reject, in whole or in part, in our sole discretion, any orders received in the community offering or the syndicated community offering.

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To ensure proper allocation of stock, each eligible account holder must list on his or her stock order form all deposit accounts in which he or she had an ownership interest at October 31, 2015, [supplemental eligibility record date] or [other record date], as applicable, or any loan account as of April 11, 1985 that remained outstanding at [other record date]. Failure to list an account or providing incorrect information could result in the loss of all or part of a subscriber's stock allocation in the event of an oversubscription. We will attempt to identify your ownership in all accounts, but cannot guarantee we will identify all accounts in which you had an ownership interest. Our interpretations of the terms and conditions of the stock issuance plan and of the acceptability of the order forms will be final.

If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. Shares of common stock will be allocated first to categories in the subscription offering in accordance with our plan of reorganization. A detailed description of share allocation procedures can be found in the section entitled "The Reorganization and Offering—Offering of Common Stock."

How We Determined the Offering Range and the \$10.00 Price Per Share

Our decision to offer between 5,339,969 shares and 7,224,663 shares, which is our offering range, is based on an independent appraisal of our pro forma market value prepared by RP Financial, LC., a firm experienced in appraisals of financial institutions. RP Financial, LC. is of the opinion that as of February 24, 2017, and assuming we sell a minority of our shares in the stock offering, the estimated pro forma market value of the common stock of PDL Community Bancorp was \$139.6 million. Based on applicable regulations, this market value forms the midpoint of a valuation range with a minimum of \$118.7 million and a maximum of \$160.5 million.

Our board of directors determined that the common stock should be sold at \$10.00 per share and that 45% of the shares of PDL Community Bancorp common stock should be offered for sale in the offering, 3.3% should be contributed to our charitable foundation, the Ponce De Leon Foundation, and 51.7% should be held by Ponce Bank Mutual Holding Company. Therefore, based on the valuation range, the number of shares of PDL Community Bancorp common stock that will be sold in the offering will range from 5,339,969 shares to 7,224,663 shares. If demand for the shares or market conditions warrant, our appraised value can be increased by up to 15%, which would result in an appraised value of \$184.6 million and an offering of 8,308,362 shares of common stock.

The appraisal is based in part on our financial condition and results of operations, the pro forma effect of the additional capital raised by the sale of shares of common stock in the offering, and an analysis of a peer group of 10 publicly traded savings and loan holding companies that RP Financial, LC. considers comparable to PDL Community Bancorp on a pro forma basis. The appraisal peer group consists of the following companies, all of which are traded on the Nasdaq Stock Market. Total assets are as of September 30, 2016.

<u>Company Name</u>	<u>Ticker Symbol</u>	<u>Headquarters</u>	<u>Total Assets (In millions)</u>
Bay Bancorp, Inc.	BYBK	Columbia, MD	\$ 606
Clifton Bancorp Inc.	CSBK	Clifton, NJ	1,312
Coastway Bancorp, Inc.	CWAY	Warwick, RI	633
Elmira Savings Bank	ESBK	Elmira, NY	567
Malvern Bancorp, Inc.	MLVF	Paoli, PA	821
Pathfinder Bancorp, Inc.	PBHC	Oswego, NY	717
PB Bancorp, Inc.	PBBI	Putnam, CT	506
Prudential Bancorp, Inc.	PBIP	Philadelphia, PA	559
Wellesley Bancorp, Inc.	WEBK	Wellesley, MA	666
Western New England Bancorp, Inc.	WNEB	Westfield, MA	1,378

The independent appraisal will be updated before we complete the reorganization and offering. If the pro forma market value of the common stock at that time is either below \$118.7 million or above \$184.6 million, then PDL Community Bancorp, after consulting with the Federal Reserve Board, may terminate the plan of reorganization and return all funds promptly with interest; extend or hold a new subscription or community offering, or both; establish a new offering range and commence a resolicitation of subscribers; or take such other actions as may be permitted by the Federal Reserve Board and the Securities and Exchange Commission. If we resolicit subscribers in this instance, then all funds delivered to us to purchase shares of common stock in the subscription and community offerings will be returned promptly with interest.

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Two measures investors use to analyze an issuer's stock are the ratio of the offering price to the issuer's book value and the ratio of the offering price to the issuer's annual net income. RP Financial, LC. considered these ratios, among other factors, in preparing its independent appraisal. Book value is the same as total equity, and represents the difference between the issuer's assets and liabilities. We had only \$3,000 of intangible assets at December 31, 2016. Therefore, ratios that are presented related to book value are the same ratios that would be presented related to tangible book value.

The following table presents a summary of selected pricing ratios for the peer group companies and for us on a non-fully converted basis (i.e. the table assumes that 45.0% of our outstanding shares of common stock is sold in the offering, as opposed to 100% of our outstanding shares of common stock). These figures are from the RP Financial, LC. appraisal report. Compared to the average pricing ratios of the peer group, and based upon the information in the following table, our pro forma pricing ratios at the midpoint of the offering range indicated a premium of 512.4% on a non-fully converted price-to-core earnings basis and a discount of 20.7% on a non-fully converted price-to-book value basis.

	Non-Fully Converted Pro Forma Price-to-Core Earnings Multiple	Non-Fully Converted Pro Forma Price-to-Book Value Ratio
PDL Community Bancorp		
Adjusted Maximum	177.18x	112.36%
Maximum	147.56	103.84
Midpoint	123.76	95.42
Minimum	101.60	86.06
Valuation of peer group companies as of February 24, 2017		
Averages	20.21	120.30
Medians	20.67	123.16

The following table presents a summary of selected pricing ratios for the peer group companies, with such ratios adjusted to their fully converted equivalent basis, and the resulting pricing ratios for PDL Community Bancorp on a fully converted equivalent basis. Compared to the average fully converted pricing ratios of the peer group, PDL Community Bancorp's pro forma fully converted pricing ratios at the midpoint of the offering range indicated a premium of 621.7% on a fully converted price-to-core earnings basis and a discount of 44.5% on a fully converted price-to-book value basis.

	Fully Converted Pro Forma Price-to-Core Earnings Multiple	Fully Converted Pro Forma Price-to-Book Value Ratio
PDL Community Bancorp		
Adjusted Maximum	228.77x	74.79%
Maximum	180.93	70.82
Midpoint	145.85	66.71
Minimum	115.55	61.84
Valuation of peer group companies as of February 24, 2017		
Averages	20.21	120.30
Medians	20.67	123.16

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The pro forma fully converted calculations for PDL Community Bancorp include the following assumptions:

- 8% of the shares sold in a full conversion offering would be purchased by an employee stock ownership plan, with the expense to be amortized over 15 years;
- 4% of the shares sold in a full conversion offering would be purchased by a stock-based benefit plan, with the expense to be amortized over five years;
- Options equal to 10% of the shares sold in a full conversion offering would be granted under a stock-based benefit plan, with option expense of \$2.82 per option, and with the expense to be amortized over five years; and
- stock offering expenses would equal 4.0% of the stock offering amount at the midpoint of the offering range.

The independent appraisal does not indicate market value. Do not assume or expect that PDL Community Bancorp’s valuation as indicated above means that the common stock will trade at or above the \$10.00 purchase price after the reorganization and offering. Furthermore, the pricing ratios presented in the appraisal were used by RP Financial, LC. to estimate our pro forma appraised value for regulatory purposes and not to compare the relative value of shares of our common stock with the value of the capital stock of the peer group. The value of the capital stock of a particular company may be affected by a number of factors such as financial performance, asset size and market location.

For a more complete discussion of the amount of common stock we are offering for sale and the independent appraisal, see “The Reorganization and Offering—How We Determined the Stock Pricing and the Number of Shares to be Issued.”

How We Intend to Use the Proceeds from the Offering

We intend to invest at least 50% of the net proceeds from the stock offering in the equity of Ponce Bank, fund the loan to our employee stock ownership plan to finance its purchase of shares of common stock in the stock offering, contribute \$200,000 to our charitable foundation as initial funding, and retain the remainder of the net proceeds from the offering at PDL Community Bancorp. Therefore, assuming we sell 7,224,663 shares of common stock at the maximum of the offering range, and we have net proceeds of \$69.6 million, we intend to invest \$34.8 million in Ponce Bank, loan \$6.3 million to our employee stock ownership plan to fund its purchase of an amount of the common stock equal to 3.92% of our outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and to our charitable foundation), contribute \$200,000 to our charitable foundation and retain the remaining \$28.3 million of the net proceeds at PDL Community Bancorp.

Ponce Bank generally intends to use the proceeds it receives to originate loans. Initially, a substantial portion of the proceeds may be invested in short-term securities issued by the U.S. government and its agencies or government sponsored and owned enterprises, and as otherwise permitted under our investment policy. It may also use the proceeds to renovate its infrastructure, expand its banking franchise internally through de novo branching or establishing loan production offices, or expand through acquisitions of other financial institutions, branch offices, or other financial service businesses. PDL Community Bancorp may also use a portion of the net proceeds to repurchase shares of our common stock, subject to regulatory approval, and for other general corporate purposes, including providing additional capital to Ponce Bank.

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Neither Ponce Bank nor PDL Community Bancorp has any plans or agreements for any specific acquisition transactions at this time. See “How We Intend to Use the Proceeds from the Offering.”

Our Contribution of Cash and Shares of Common Stock to the Charitable Foundation

To further our commitment to our local community, we intend to establish and fund a new charitable foundation as part of the offering. Assuming we receive final regulatory approval to establish and fund the charitable foundation, we intend to contribute \$200,000 of the gross proceeds raised in the offering and 3.3% of our outstanding shares of common stock following the offering. At the midpoint of the offering range, the total value of the charitable foundation contribution would be \$4.8 million, and we expect to record an after-tax expense of approximately \$3.2 million during the quarter in which the offering is completed. At the minimum, midpoint, maximum and adjusted maximum of the offering range, we would contribute to the charitable foundation 391,598, 460,703, 519,808 and 609,279 shares of common stock.

The charitable foundation will be dedicated exclusively to supporting charitable causes and community development activities in the communities in which we operate. The contribution of common stock and cash to the charitable foundation will:

- dilute the voting interests of purchasers of shares of our common stock in the stock offering; and
- result in an expense, and a reduction in capital, during the quarter in which the contribution is made, equal to the full amount of the charitable foundation, offset in part by a corresponding tax benefit.

The amount of common stock that we would offer for sale would be greater if the offering were to be completed without the establishment and funding of the charitable foundation. For a further discussion of the financial impact of the charitable foundation, including its effect on those who purchase shares in the offering, see the sections of this prospectus entitled “*Risk Factors—Risks Related to the Contribution to our Charitable Foundation—The contribution to our charitable foundation will dilute your ownership interest and adversely affect net income in the year we complete the offering.*,” “*Risk Factors—Risks Related to the Contribution to our Charitable Foundation—Our contribution to our charitable foundation may not be tax deductible, which could decrease our profits.*,” “*Comparison of Valuation and Pro Forma Information With and Without our Charitable Foundation*” and “*Our Charitable Foundation.*”

Limits on the Amount of Common Stock You May Purchase

The minimum purchase is 25 shares of common stock. Generally, no individual, or individuals through a single account held jointly, may purchase more than \$300,000 of common stock. If any of the following persons purchase shares of common stock, their purchases when combined with your purchases cannot exceed \$500,000 of common stock:

- Any person who is related by blood or marriage to you and who either lives in your home or who is a director or officer of Ponce De Leon Federal Bank;
- Companies or other entities in which you are an officer or partner or have a 10% or greater beneficial ownership interest; and
- Trusts or other estates in which you have a substantial beneficial interest or as to which you serve as a trustee or in another fiduciary capacity.

Persons having the same address and persons exercising subscription rights through qualifying accounts registered to the same address will be subject to this overall purchase limitation. We have the right to determine, in our sole discretion, whether prospective purchasers are associates or acting in concert.

We may, in our sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase the maximum purchase limitation to 9.9% of the number of shares sold in the offering, provided that the total number of shares purchased by persons, their associates and those persons with whom they are acting in concert, to the extent such purchases exceed 5% of the shares sold in the offering, shall not exceed, in the aggregate, 10% of the total number of the shares sold in the offering.

Subject to regulatory approval, we may increase or decrease the purchase limitations in the offering at any time. A detailed discussion of the limitations on purchases of common stock by an individual and persons acting in concert is set forth under the caption “The Reorganization and the Offering—Offering of Common Stock—Limitations on Purchase of Shares.”

We expect that the employee stock ownership plan will purchase 3.92% of our outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and contributed to our charitable foundation). Subject to the approval of the Federal Reserve Board, the employee stock ownership plan may purchase some or all of these shares in the open market following the completion of the offering. Our employee stock ownership plan purchases will range from 465,171 shares to 723,751 shares of common stock, respectively, at the minimum and adjusted maximum of the offering range.

How You May Purchase Shares of Common Stock in the Subscription and Community Offering

In the subscription offering and the community offering you may pay for your shares only by:

- personal check, bank check or money order payable to PDL Community Bancorp (cash and third party checks will not be accepted); or
- authorizing us to withdraw available funds (without any early withdrawal penalty) from your deposit account(s) maintained with Ponce De Leon Federal Bank, other than checking accounts or retirement accounts, including individual retirement accounts (IRAs).

Ponce De Leon Federal Bank is not permitted to knowingly lend funds for the purpose of purchasing shares of common stock in the offering. You may not pay by wire transfer, use a check drawn on a Ponce De Leon Federal Bank line of credit, or use a third-party check to pay for shares of common stock. Please do not submit cash.

You can subscribe for shares of common stock in the offering by delivering a signed and completed original stock order form, together with full payment, before the expiration date of the subscription offering. You may submit your stock order form and payment in one of three ways: 1) by mail, using the stock order reply envelope provided; 2) by overnight delivery to the address indicated for that purpose on the stock order form; or 3) by hand-delivery to Ponce De Leon Federal Bank's administrative office located at 2244 Westchester Street, Bronx, New York. **Please do not mail stock order forms to Ponce De Leon Federal Bank. We encourage subscribers to consider in-person or overnight delivery to enhance the likelihood that your order is received before the deadline.** Once submitted, your order is irrevocable. We will not be required to accept incomplete stock order forms, unsigned stock order forms, or copies or facsimiles of stock order forms. For orders paid for by check or money order, the funds must be available in the account. Funds received prior to the completion of the offering will be held in a segregated account at Ponce De Leon Federal Bank. Subscription funds will earn interest at [interest rate]/% per annum, which is our current passbook savings rate. If the offering is terminated, we will promptly return your subscription funds with interest.

On the stock order form, you may not designate withdrawal from Ponce De Leon Federal Bank accounts with check-writing privileges; instead, please submit a check. If you request that we directly withdraw the funds from an account with check writing privileges, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount, and we will immediately withdraw the amount from your checking account. You may not authorize direct withdrawal from a Ponce De Leon Federal Bank IRA or other retirement account. See “— Using Retirement Account Funds to Purchase Shares of Common Stock in the Subscription and Community Offerings.”

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Withdrawals from certificates of deposit accounts at Ponce De Leon Federal Bank for the purpose of purchasing common stock in the offering may be made without incurring an early withdrawal penalty. All funds authorized for withdrawal from deposit accounts with Ponce De Leon Federal Bank must be in the deposit accounts at the time the stock order form is received; no credit to purchase shares will be given for future interest to be earned on the funds in your deposit account or submitted for payment for the shares. However, funds will not be withdrawn from the accounts until the offering is completed and will continue to earn interest at the applicable deposit account rate until the completion of the offering. A hold will be placed on those funds when your stock order is received, making the designated funds unavailable to you. If a withdrawal results in a certificate of deposit account with a balance less than the applicable minimum balance requirement, the certificate of deposit will be canceled at the time of withdrawal without penalty, and the remaining balance will earn interest at [interest rate]% per annum thereafter, until such funds are withdrawn. After we receive an order, the order cannot be revoked or changed.

By signing the stock order form, you are acknowledging receipt of this prospectus and that the shares of our common stock are not deposits or savings accounts that are federally insured or otherwise guaranteed by Ponce De Leon Federal Bank, the Federal Deposit Insurance Corporation or any other government agency.

Using Retirement Account Funds to Purchase Shares of Common Stock in the Subscription and Community Offerings

You may be able to subscribe for shares of common stock using funds in your IRA, or other retirement account. If you wish to use some or all of the funds in your IRA or other retirement account held at Ponce De Leon Federal Bank, the applicable funds must be transferred to a self-directed account maintained by an independent custodian or trustee, such as a brokerage firm, before you place your stock order. If you do not have such an account, you will need to establish one. A one-time and/or annual administrative fee may be payable to the independent custodian or trustee. Because individual circumstances differ and the processing of retirement account orders takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the [expiration date] offering deadline, for assistance with purchases using funds in your IRA or other retirement account held at Ponce De Leon Federal Bank or elsewhere. Whether you may use such funds for the purchase of shares in the stock offering may depend on timing constraints and, possibly, limitations imposed by the institution where the funds are held.

For a complete description of how to use IRA funds to purchase shares in the stock offering, see “The Reorganization and Offering—Procedure for Purchasing Shares—Using Retirement Account Funds.”

You May Not Sell or Transfer Your Subscription Rights

Applicable regulations prohibit you from selling, giving, or otherwise transferring your subscription rights. If you order shares of common stock in the subscription offering, you will be required to state that you are purchasing the shares of common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights. We intend to take legal action, including reporting persons to federal or state regulatory agencies, against anyone who we believe has sold or given away his or her subscription rights. We will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. On the stock order form, you cannot add the names of others for joint stock registration unless they are also named on a qualifying deposit or loan account with a subscription priority the same as your own. In addition, the stock order form requires that you list all deposit or loan accounts, giving all names on each account and the account number at the applicable eligibility record date. Your failure to provide this information, or providing incomplete or incorrect information, may result in a loss of part or all of your share allocation, if there is an oversubscription. **Eligible depositors or borrowers who enter into agreements to allow ineligible investors to participate in the subscription offering may be violating federal and state law and may be subject to civil enforcement actions or criminal prosecution.**

Deadline for Orders of Common Stock

The deadline for submitting orders to purchase shares of the common stock in the subscription and community offerings is [expiration time], Eastern Time, on [expiration date], unless we extend this deadline. If you wish to purchase shares of common stock, your properly completed and signed original stock order form, together with full payment for the shares, must be received (not postmarked) by this time. **Orders received after (expiration time), Eastern Time, on [expiration date] will be rejected unless the offering is extended.**

Although we will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights, the subscription offering and all subscription rights will expire at [expiration time], Eastern Time, on [expiration date], whether or not we have been able to locate each person entitled to subscription rights.

See “The Reorganization and Offering—Procedure for Purchasing Shares—Expiration Date” for a complete description of the deadline for purchasing shares in the stock offering.

Once Submitted, Your Stock Purchase Order May Not Be Revoked Except Under Certain Circumstances

Funds that you submit to purchase shares of our common stock in the offering will be held in a segregated account until the termination or completion of the offering, including any extension of the expiration date. Because completion of the reorganization and offering is subject to the receipt of all required regulatory approvals, including an update of the independent appraisal, among other factors, there may be one or more delays in the completion of the reorganization. Any orders that you submit to purchase shares of our common stock in the offering are irrevocable, and you will not have access to subscription funds unless the offering is terminated, or extended beyond [extension date], or the number of shares to be sold in the offering is increased to more than 8,308,362 shares or decreased to fewer than 5,339,969 shares.

Termination of the Offering

The subscription offering will expire at [expiration time], Eastern Time, on [expiration date]. We expect that the community offering, if one is conducted, would expire at the same time. We may extend this expiration date without notice to you until [extension date], or such later date as the applicable regulators may approve. If the subscription offering and/or community offerings are extended beyond [extension date], we will be required to resolicit subscriptions before proceeding with the offering. In such event, all subscribers will be afforded the opportunity to confirm, cancel or change their orders. If you choose to cancel your order or you do not respond to the resolicitation notice, your funds will be promptly returned to you with interest and deposit account withdrawal authorizations will be cancelled. All further extensions, in the aggregate, may not last beyond [final extension date], which is two years after the special meeting of members of Ponce De Leon Federal Bank to be held on [meeting date] to vote on the plan of reorganization.

Steps We May Take If We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 5,339,969 shares of common stock, we may take several steps in order to sell the minimum number of shares of common stock in the offering range. Specifically, we may (a) increase the purchase limitations, (b) seek regulatory approval to extend the offering beyond the [extension date] expiration date, and/or (c) reduce the valuation and offering range, provided that any such extension or reduction will require us to resolicit subscriptions received in the offering and provide subscribers with the opportunity to increase, decrease or cancel their subscriptions. If the offering is extended beyond [extension date], subscribers will have the right to confirm, cancel or change their orders. If the number of shares to be sold in the offering is increased to more than 8,308,362 shares or decreased to less than 5,339,969 shares, we will resolicit subscribers, and all funds delivered to us to purchase shares of common stock in the subscription and community offerings will be returned promptly with interest.

Market for the Common Stock

We have never issued capital stock and there is no established market for our common stock. We expect that our common stock will be traded on the Nasdaq Global Market under the symbol "PDLB" upon conclusion of the stock offering. See "Market for the Common Stock."

Our Dividend Policy

We have no current plan or intention to pay cash dividends to our stockholders. However, if in the future the board of directors considers the payment of dividends, the payment and amount of any dividend payments will be subject to statutory and regulatory limitations, and will depend upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; our other uses of funds for the long-term value of stockholders; tax considerations; the Federal Reserve Board's current regulations restricting the waiver of dividends by mutual holding companies; and general economic conditions. No assurance can be given that the board of directors will ever consider the payment of dividends and shareholders should have no expectation of such. See "Our Policy Regarding Dividends" for additional information regarding our dividend policy.

Possible Change in the Offering Range

RP Financial, LC. will update its appraisal before we complete the offering. If, as a result of demand for the shares or changes in market conditions, RP Financial, LC. determines that our pro forma market value has increased, we may sell up to 8,308,362 shares in the offering without further notice to you. If our pro forma market value at that time is either below \$118.7 million or above \$184.6 million, then, after consulting with the Federal Reserve Board, we may:

- terminate the stock offering, cancel deposit account withdrawal authorizations and promptly return all funds received in the offering with interest at [interest rate]% per annum;
- set a new offering range; or
- take such other actions as may be permitted by the Federal Reserve Board, the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission.

If we set a new offering range, we will promptly return funds, with interest at [interest rate]% per annum for funds received in the offering, cancel deposit account withdrawal authorizations and commence a resolicitation. In connection with the resolicitation, we will notify subscribers of their right to place a new stock order for a specified period of time.

Possible Termination of the Offering

We may terminate the offering at any time prior to the special meeting of members of Ponce De Leon Federal Bank that is being called to vote on the reorganization and offering, and at any time after member approval with applicable regulatory approval. If we terminate the offering, we will promptly return your funds, with interest at [interest rate]% per annum, and we will cancel deposit account withdrawal authorizations.

Our Officers, Directors and Employees Will Receive Additional Benefits and Compensation After the Reorganization and Offering

In connection with the reorganization, we are establishing an employee stock ownership plan, an employee stock ownership plan equalization plan and, subject to stockholder approval, we intend to implement one or more stock-based benefit plans that will provide for grants of stock options and restricted stock.

Employee Stock Ownership Plan. On April 7, 2017 the board of directors of Ponce De Leon Federal Bank adopted an employee stock ownership plan, which will award shares of our common stock to eligible employees primarily based on their compensation. Our board of directors will, at the completion of the offering, ratify the loan to the employee stock ownership plan and the issuance of the common stock to the employee stock ownership plan. It is expected that our employee stock ownership plan will purchase an amount of shares equal to 3.92% of our outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation).

Employee Stock Ownership Plan Equalization Plan. On April 7, 2017 the board of directors of Ponce De Leon Federal Bank adopted an Employee Stock Ownership Plan Equalization Plan, which will provide selected executive officers, currently Messrs. Naudon and Tsavaris, additional benefits to the extent applicable tax laws limit their benefits under the employee stock ownership plan.

Stock-Based Benefit Plans. In addition to shares purchased by the employee stock ownership plan, we intend to adopt one or more stock-based benefit plans, which are designed to attract and retain qualified personnel in key positions and provide directors, officers and key employees with an ownership interest in PDL Community Bancorp, which will be an incentive to contribute to our success, and reward key employees for their performance. The number of options granted and shares of restricted common stock awarded under stock-based benefit plans may not exceed 4.90% and 1.96%, respectively, of our total outstanding shares, including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation, provided that if Ponce Bank's tangible capital at the time of adoption of the stock-based benefit plans is less than 10% of its assets, then the amount of shares of restricted common stock may not exceed 1.47% of our outstanding shares. The number of options granted or shares of restricted common stock awarded under stock-based benefit plans, when aggregated with any subsequently adopted stock-based benefit plans (exclusive of any shares held by any employee stock ownership plan), may not exceed 25% of the shares of common stock held by persons other than Ponce Bank Mutual Holding Company. Under applicable regulations, the exercise price of options granted within one year of the completion of the offering must be equal to the then fair market value of the common stock on the date the options are granted.

Stock-based benefit plans will not be established sooner than six months after the stock offering, and if adopted within one year after the stock offering, the plans must be approved by a majority of the votes eligible to be cast by our stockholders, as well as a majority of the votes eligible to be cast by our stockholders other than Ponce Bank Mutual Holding Company. If stock-based benefit plans are established more than one year after the stock offering, they must be approved by a majority of votes cast by our stockholders, as well as a majority of votes cast by our stockholders other than Ponce Bank Mutual Holding Company. The following additional restrictions would apply to our stock-based benefit plans only if such plans are adopted within one year after the stock offering:

- non-employee directors in the aggregate may not receive more than 30% of the options and shares of restricted common stock authorized under the plans;

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- no non-employee director may receive more than 5% of the options and shares of restricted common stock authorized under the plans;
- no officer or employee may receive more than 25% of the options and shares of restricted common stock authorized under the plans;
- options and shares of restricted common stock may not vest more rapidly than 20% per year, beginning on the first anniversary of stockholder approval of the plans; and
- accelerated vesting is not permitted except for death, disability or upon a change in control of Ponce Bank or PDL Community Bancorp.

We have not determined whether we will present stock-based benefit plans for stockholder approval prior to or more than 12 months after the completion of the stock offering. In the event federal regulators change their regulations or policies regarding stock-based benefit plans, including any regulations or policies restricting the size of awards and vesting of benefits as described above, the restrictions described above may not be applicable.

We may obtain the shares needed for our stock-based benefit plans by issuing additional shares of common stock from authorized but unissued shares or through stock repurchases.

Equity Plan Expenses. The implementation of an employee stock ownership plan, an employee stock ownership plan equalization plan and one or more stock-based benefit plans will increase our future compensation costs, thereby reducing our earnings. For example, we will be required to recognize an expense each year under our employee stock ownership plan equal to the fair market value of the shares committed to be released for that year to the participating employees and to accrue for the fair value of the shares allocated pursuant to the employee stock ownership plan equalization plan. Similarly, if we issue restricted stock awards under a stock-based benefit plan, we would be required to recognize an expense as the shares vest equal to their fair market value on the grant date. Finally, if we issue stock options, we would be required to recognize an expense as the options vest, equal to their estimated value on the grant date. See “Risk Factors—Risks Related to the Offering—Our stock-based benefit plans will increase our costs, which will reduce our income” and “Management—Benefits to be Considered Following Completion of the Stock Offering.”

Benefits to Management. The following table summarizes the stock benefits that our officers, directors and employees may receive following the reorganization and offering, at the adjusted maximum of the offering range and assuming that our employee stock ownership plan purchases 3.92% of our outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) and that we implement one or more stock-based benefit plans granting options to purchase 4.90% of the total shares of common stock of PDL Community Bancorp issued in connection with the reorganization (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) and awarding shares of restricted common stock equal to 1.96% of the total shares of common stock of PDL Community Bancorp issued in connection with the reorganization (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation).

<u>Plan</u>	<u>Individuals Eligible to Received Awards</u>	<u>Percent of all Outstanding Shares</u>	<u>Value of Benefits Based on Adjusted Maximum of Offering Range (In Thousands)</u>
Employee stock ownership plan	All employees	3.92%	\$ 7,238
Stock awards	Directors, officers and employees	1.96	3,619
Stock options	Directors, officers and employees	4.90	2,551(1)
Total		<u>10.78%</u>	<u>\$ 13,408</u>

(1) The fair value of stock options has been estimated at \$2.82 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of \$10.00; no dividend yield; expected option life of 10 years; risk free interest rate of 2.45%; and a volatility rate of 13.42% based on an index of publicly traded thrift institutions.

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The actual value of the shares of restricted common stock awarded under the stock-based benefit plan would be based on the price of PDL Community Bancorp's common stock at the time the shares are awarded. The following table presents the total value of all shares of restricted common stock to be available for award and issuance under the stock-based benefit plan, assuming receipt of stockholder approval and that the shares are awarded in a range of market prices from \$8.00 per share to \$14.00 per share.

Share Price	232,586 Shares Awarded at Minimum of Offering Range	273,630 Shares Awarded at Midpoint of Offering Range	314,674 Shares Awarded at Maximum of Offering Range	361,876 Shares Awarded at Adjusted Maximum of Offering Range
	(In thousands, except share price information)			
\$8.00	\$1,861	\$2,189	\$2,517	\$2,895
\$10.00	\$2,326	\$2,736	\$3,147	\$3,619
\$12.00	\$2,791	\$3,284	\$3,776	\$4,343
\$14.00	\$3,256	\$3,831	\$4,405	\$5,066

The grant-date fair value of the options granted under the stock-based benefit plan would be based in part on the price of shares of PDL Community Bancorp's common stock at the time the options are granted. The value will also depend on the various assumptions utilized in the option pricing model ultimately adopted. The following table presents the total estimated value of the options to be available for grant under the stock-based benefit plan, assuming receipt of stockholder approval, using a Black-Scholes option pricing model, and assuming the market price and exercise price for the stock options are equal and the range of market prices for the shares is \$8.00 per share to \$14.00 per share. The Black-Scholes option pricing model provides an estimate only of the fair value of the options, and the actual value of the options may differ significantly from the value set forth in this table.

Market/ Exercise Price	Grant-Date Fair Value Per Option	581,463 Options at Minimum of Offering Range	684,074 Options at Midpoint of Offering Range	786,686 Options at Maximum of Offering Range	904,688 Options at Adjusted Maximum of Offering Range
		(In thousands, except market/exercise price and fair value information)			
\$8.00	\$2.26	\$1,315	\$1,546	\$1,778	\$2,045
\$10.00	\$2.82	\$1,640	\$1,929	\$2,218	\$2,551
\$12.00	\$3.38	\$1,966	\$2,312	\$2,659	\$3,058
\$14.00	\$3.95	\$2,297	\$2,702	\$3,107	\$3,574

Restrictions on the Acquisition of PDL Community Bancorp and Ponce Bank

Federal regulations, as well as provisions contained in the charters of Ponce Bank and PDL Community Bancorp, restrict the ability of any person, firm or entity to acquire PDL Community Bancorp, Ponce Bank, or their respective capital stock. These restrictions include the requirement that a potential acquirer of common stock obtain the prior approval of the Federal Reserve Board and/or the Office of the Comptroller of the Currency before acquiring in excess of 10% of the voting stock of PDL Community Bancorp or Ponce Bank, as well as a provision in each of PDL Community Bancorp's and Ponce Bank's respective charters that generally provides that for a period of five years from the closing of the offering, no person, other than Ponce Bank Mutual Holding Company, may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of PDL Community Bancorp or Ponce Bank held by persons other than Ponce Bank Mutual Holding Company, and, with respect to Ponce Bank, other than PDL Community Bancorp, and that any shares acquired in excess of this limit would not be entitled to be voted and would not be counted as voting stock in connection with any matters submitted to the stockholders for a vote.

Because a majority of the shares of outstanding common stock of PDL Community Bancorp must be owned by Ponce Bank Mutual Holding Company, any acquisition of PDL Community Bancorp must be approved by Ponce Bank Mutual Holding Company. Furthermore, Ponce Bank Mutual Holding Company would not be required to pursue or approve a sale of PDL Community Bancorp even if such sale were favored by a majority of PDL Community Bancorp's public stockholders. Finally, although a mutual holding company may be acquired by a mutual institution or another mutual holding company in what is known as a "remutualization" transaction, current regulatory policy may make such transactions unlikely because of the heightened regulatory scrutiny given to the structure and pricing of such transactions. Specifically, current regulatory policy views remutualization transactions as raising significant issues concerning disparate treatment of minority stockholders and mutual members of the target entity, and raising issues concerning the effect on the mutual members of the acquiring entity. As a result, a remutualization transaction for PDL Community Bancorp is unlikely unless the applicant can clearly demonstrate that the regulatory concerns are not warranted in the particular case.

Proposed Stock Purchases by Management

PDL Community Bancorp's directors and executive officers and their associates are expected to purchase, for investment purposes, approximately 283,800 shares of common stock in the offering, which represents 5.3% of the shares sold to the public and 1.5% of the total shares to be outstanding after the offering (including shares owned by Ponce Bank Mutual Holding Company and our charitable foundation), each at the minimum of the offering range, respectively. Like all of our eligible depositor and borrower purchasers, our directors and executive officers and their associates have subscription rights based on their deposits or borrowings and, in the event of an oversubscription, their orders will be subject to the allocation provisions set forth in our plan of reorganization.

The plan of reorganization provides that the aggregate amount of shares acquired in the offering by our directors and executive officers (and their associates) may not exceed 25% of the outstanding shares held by persons other than Ponce Bank Mutual Holding Company, except with the approval of federal regulators. We may seek approval from the federal regulators to allow purchases by our directors and executive officers (and their associates) to exceed the 25% limit to the extent needed to enable us to sell the minimum number of shares of common stock in the offering range.

Directors and executive officers will pay the same \$10.00 per share price paid by all other persons who purchase shares in the offering. These shares will be counted in determining whether the minimum of the offering range is reached.

Conditions to Completing the Reorganization and Offering

We cannot complete the reorganization and offering unless:

- we sell at least 5,339,969 shares, the minimum of the offering range;
- the members of Ponce De Leon Federal Bank vote to approve the reorganization and offering; and
- we receive final approval from the Federal Reserve Board to complete the reorganization and offering, as well as any additional required approvals from the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Federal Reserve Board, Office of the Comptroller of the Currency or Federal Deposit Insurance Corporation approval does not constitute a recommendation or endorsement of an investment in our stock.

Possible Conversion of Ponce Bank Mutual Holding Company to Stock Form

In the future, Ponce Bank Mutual Holding Company may be eligible to convert from the mutual to capital stock form, in a transaction commonly referred to as a "second-step conversion." In a second-step conversion, members of Ponce Bank Mutual Holding Company would have subscription rights to purchase common stock of PDL Community Bancorp or its successor, and the public stockholders of PDL Community Bancorp would be entitled to exchange their shares of common stock for an equal percentage of shares of the converted Ponce Bank Mutual Holding Company. This percentage may be adjusted to reflect any assets owned by Ponce Bank Mutual Holding Company.

Our board of directors is committed to maintaining Ponce Bank Mutual Holding Company in mutual form. In recognition of the importance and value of the mutual form of ownership, our board of directors has no current plans to undertake a second-step conversion transaction. See “The Reorganization and Offering—Reasons for the Reorganization.”

Any second-step conversion transaction would require the approval of holders of a majority of the outstanding shares of PDL Community Bancorp common stock (excluding shares held by Ponce Bank Mutual Holding Company) as well as the approval of a majority of the votes eligible to be cast by the members of Ponce Bank Mutual Holding Company and also the approval of two-thirds of the votes cast by the members of Ponce Bank Mutual Holding Company. See “Restrictions on the Acquisition of PDL Community Bancorp and Ponce Bank—Charters and Bylaws of PDL Community Bancorp and Ponce Bank” for a discussion of the provisions contained in our charter. See “Risk Factors – Risks Related to the Offering – We are committed to maintaining a mutual ownership structure and no changes to our structure are contemplated.”

Delivery of Prospectus

To ensure that each person receives a prospectus at least 48 hours before the deadline for orders for common stock, we may not mail prospectuses any later than five days prior to such date or hand-deliver prospectuses later than two days prior to that date. Stock order forms may only be delivered if accompanied or preceded by a prospectus. We are not obligated to deliver a prospectus or stock order form by means other than U.S. mail.

We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights will expire at [expiration time], Eastern Time, on [expiration date], whether or not we have been able to locate each person entitled to subscription rights.

Delivery of Shares of Common Stock

All shares of common stock sold will be issued in book entry form. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock issued in the subscription and community offerings will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the stock offering. Shares of common stock sold in the syndicated community offering may be delivered electronically through the services of The Depository Trust Company, subject to any necessary regulatory approval. We expect trading in the stock to begin on the day of completion of the stock offering or the next business day. **Until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers might not be able to sell the shares of common stock that they purchased, even though the common stock will have begun trading.** Your ability to sell your shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

Tax Consequences

Ponce De Leon Federal Bank and PDL Community Bancorp have received an opinion of counsel, _____, regarding the material federal income tax consequences of the reorganization, including an opinion that it is more likely than not that the fair market value of the nontransferable subscription rights to purchase the common stock will be zero and, accordingly, no gain or loss will be recognized by members upon the distribution to them of the nontransferable subscription rights to purchase the common stock and no taxable income will be realized by members as a result of the exercise of the nontransferable subscription rights. Ponce De Leon Federal Bank and PDL Community Bancorp have also received an opinion of Crowe Horwath LLP regarding the material New York and New Jersey state tax consequences of the reorganization. As a general matter, the reorganization will not be a taxable transaction for purposes of federal or state income taxes to Ponce De Leon Federal Bank, PDL Community Bancorp or persons eligible to subscribe in the subscription offering. See the section of this prospectus entitled “Taxation” for additional information regarding taxes.

Emerging Growth Company Status

We qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). For as long as we are an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies. See “Risk Factors—Risks Related to the Offering—We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors” and “Regulation and Supervision—Emerging Growth Company Status.”

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An emerging growth company may elect to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. We have elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

How You May Obtain Additional Information Regarding the Reorganization and Offering

Our banking personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the reorganization or offering, please call the Stock Information Center at [stock center number]. The Stock Information Center will be open Monday through Friday between 10:00 a.m. and 4:00 p.m., Eastern Time. The Stock Information Center will be closed on bank holidays.

RISK FACTORS

You should consider carefully the following risk factors, in addition to all other information in this prospectus, in evaluating an investment in our common stock.

Risks Related to Our Business

Multifamily, nonresidential and construction and land loans carry greater credit risk than loans secured by owner occupied one- to- four family real estate.

Our focus is primarily on prudently growing our multifamily, nonresidential and construction and land loan portfolio. At December 31, 2016, \$310.0 million or 47.6% of our loan portfolio consisted of multifamily, nonresidential and construction and land loans. Given their larger balances and the complexity of the underlying collateral, multifamily, nonresidential and construction and land loans generally expose a lender to greater credit risk than loans secured by owner occupied one- to- four family real estate. Also, many of our borrowers or related groups of borrowers have more than one of these types of loans outstanding. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to an owner occupied one- to- four family residential real estate loan. If loans that are collateralized by real estate or other business assets become troubled and the value of the collateral has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for loan losses which would in turn adversely affect our operating results and financial condition. Further, if we foreclose on the collateral, our holding period for the collateral may be longer than for one- to- four family real estate loans because there are fewer potential purchasers of the collateral, which can result in substantial holding costs.

The unseasoned nature of our multifamily, nonresidential and construction and land loans portfolio may result in changes to our estimates of collectability, which may lead to additional provisions or charge-offs, which could hurt our profits.

Our multifamily, nonresidential and construction and land loan portfolio has increased approximately \$57.8 million, or 22.9%, from \$252.2 million at December 31, 2015 to \$310.0 million at December 31, 2016. A large portion of our multifamily, nonresidential and construction and land loan portfolio is unseasoned and does not provide us with a significant payment or charge-off history pattern from which to judge future collectability. Currently we estimate potential charge-offs using historical loss ratios and peer data adjusted for qualitative factors specific to us. As a result, it may be difficult to predict the future performance of this part of our loan portfolio. These loans may have delinquency or charge-off levels above our historical experience or current estimates, which could adversely affect our future performance. Further, these types of loans generally have larger balances and involve a greater risk than one- to- four family owner occupied residential mortgage loans. Accordingly, if we make any errors in judgment in the collectability of our multifamily, nonresidential and construction and land loans, any resulting charge-offs may be larger on a per loan basis than those incurred historically with our residential mortgage loan or consumer loan portfolios.

Our business may be adversely affected by credit risk associated with residential property.

At December 31, 2016, one-to-four family residential real estate loans comprised \$325.0 million, or 49.9% of our total loan portfolio. Of this, \$227.4 million or 70.0% is comprised of one-to-four family residential investor properties. One- to- four family residential mortgage lending, whether owner occupied or non-owner occupied, is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations. Declines in real estate values could cause some of our one- to- four family mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

One- to- four family residential mortgage lending, whether owner occupied or non-owner occupied, with combined higher loan-to-value ratios are more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their properties, they may be unable to repay their loans in full from the sale proceeds. For those home equity loans and lines of credit secured by a second mortgage, it is unlikely that we will be successful in recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property. In addition, the current judicial and legal climate make it difficult to foreclose on residential properties expeditiously and with reasonable costs. For these reasons, we may experience higher rates of delinquencies, default and losses on our one- to- four family loans.

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The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in the local economy.

While there is not a single employer or industry in our market area on which a significant number of our customers are dependent, a substantial portion of our loan portfolio is composed of loans secured by property located in the greater New York metropolitan area. This can make us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy such as unemployment, recession, a catastrophic event or other factors beyond our control could impact the ability of our borrowers to repay their loans, which could impact our net interest income. Decreases in local real estate values caused by economic conditions or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. For more information about our market area, see “*Business of Ponce De Leon Federal Bank—Market Area*” and “*—Competition.*”

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.

At December 31, 2016, our allowance for loan losses totaled \$10.2 million, which represented 1.57% of total loans. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for many of our loans. In determining the amount of the allowance for loan losses, we review our loans, loss and delinquency experience, and commercial and commercial real estate peer data and we evaluate other factors including, among other things, current economic conditions. If our assumptions are incorrect, or if delinquencies or non-performing loans increase, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance, which could materially decrease our net income.

In addition, our regulators, as well as internal and external auditors, as an integral part of their examination process, periodically review the allowance for loan losses and, as a result of such reviews, we may determine that it is appropriate to increase the allowance for loan losses by recognizing additional provisions for loan losses charged to income, or to charge off loans, which, net of any recoveries, would decrease the allowance for loan losses. Any such additional provisions for loan losses or charge-offs could have a material adverse effect on our financial condition and results of operations.

A worsening of economic conditions in our market area could reduce demand for our products and services and/or result in increases in our level of nonperforming loans, which could adversely affect our operations, financial condition and earnings.

Local economic conditions have a significant impact on the ability of our borrowers to repay loans and the value of the collateral securing loans. Any deterioration in economic conditions could have the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers’ future borrowing power, and reducing the value of assets and collateral associated with existing loans; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, a significant decline in general economic conditions caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Our business strategy includes growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively. Growing our operations could also cause our expenses to increase faster than our revenues.

Our business strategy includes growth in assets, deposits and the scale of our operations. Achieving such growth will require us to attract customers that currently bank at other financial institutions in our market area. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, competition from other financial institutions in our market area and our ability to manage our growth. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected. Furthermore, there can be

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considerable costs involved in expanding deposit and lending capacity that generally require a period of time to generate the necessary revenues to offset their costs, especially in areas in which we do not have an established presence and require alternative delivery methods. Accordingly, any such business expansion can be expected to negatively impact our earnings for some period of time until certain economies of scale are reached. Our expenses could be further increased if we encounter delays in modernizing existing facilities, opening of new branches or deploying new services.

We depend on our management team to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We are dependent upon the services of the members of our senior management team who direct our strategy and operations. Members of our senior management team, or lending personnel who possess expertise in our markets and key business relationships, could be difficult to replace. Our loss of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets. See “Management.”

Our efficiency ratio is high, and we anticipate that it may remain high, as a result of the ongoing implementation of our business strategy.

Our non-interest expense totaled \$27.9 million and \$26.2 million for the years ended December 31, 2016 and 2015 respectively. Although we continue to analyze our expenses and pursue efficiencies where available, our efficiency ratio remains high as a result of the implementation of our business strategy and the market in which we operate. Our efficiency ratio totaled 92.2% and 86.2% for the years ended December 31, 2016 and 2015, respectively. If we are unable to successfully implement our business strategy and increase our revenues, our profitability could be adversely affected.

A continuation of the historically low interest rate environment and the possibility that we may access higher-cost funds to support our loan growth and operations may adversely affect our net interest income and profitability.

In recent years the Federal Reserve Board’s policy has been to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage-backed securities. Recently, the Federal Reserve Board has indicated that it believes a gradual increase in the targeted federal funds rate is appropriate. To this end, the Federal Reserve Board raised the targeted federal funds rate in December 2016 and March 2017. We cannot make any representation as to whether, or how many times, the Federal Reserve will increase the targeted federal funds rate in the future. Notwithstanding the Federal Reserve Board’s expressed intentions, our ability to reduce our interest expense may be limited at current interest rate levels while the average yield on our interest-earning assets may continue to decrease, and our interest expense may increase as we access non-core funding sources or increase deposit rates to fund our operations. A continuation of a low, or relatively low, interest rate environment or our increasing our cost of funds may adversely affect our net interest income, which would have an adverse effect on our profitability.

Future changes in interest rates could reduce our profits and asset values.

Net income is the amount by which net interest income and non-interest income exceeds non-interest expense and the provision for loan losses. Net interest income makes up a majority of our income and is based on the difference between:

- the interest income we earn on interest-earning assets, such as loans and securities; and
- the interest expense we pay on interest-bearing liabilities, such as deposits and borrowings.

The rates we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time. Like many savings institutions, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility because market interest rates change over time. In a period of rising interest rates, the interest income we earn on our assets may not increase as rapidly as the interest we pay on our liabilities. In a period of declining interest rates, the interest income we earn on our assets may decrease more rapidly than the interest we pay on our liabilities, as borrowers prepay mortgage loans, and mortgage-backed securities and callable investment securities are called, requiring us to reinvest those cash flows at lower interest rates.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A decline in interest rates results in increased prepayments of loans and mortgage-backed and related securities as borrowers refinance their debt to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Furthermore, an inverted interest rate yield curve, where short-term interest rates (which are usually the rates at which financial institutions borrow funds) are higher than long-term interest rates (which are usually the rates at which financial institutions lend funds for fixed-rate loans) can reduce a financial institution’s net interest margin and create financial risk for financial institutions who originate longer-term, fixed rate mortgage loans.

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Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets and ultimately affect our earnings.

We monitor interest rate risk through the use of simulation models, including estimates of the amounts by which the fair value of our assets and liabilities (our net economic value or “NEV”) and our net interest income would change in the event of a range of assumed changes in market interest rates. As of December 31, 2016, in the event of an instantaneous 200 basis point increase in interest rates, we estimate that we would experience a 9.9% decrease in NEV and a 4.6% decrease in net interest income. For further discussion of how changes in interest rates could impact us, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Management of Market Risk.”

Changes in the valuation of securities held could adversely affect us.

Most of the securities in our portfolio are classified as available-for-sale. Accordingly, a decline in the fair value of our securities could cause a material decline in our reported equity and/or net income. At least quarterly, and more frequently when warranted by economic or market conditions, management evaluates all securities classified as available-for-sale with a decline in fair value below the amortized cost of the investment to determine whether the impairment is deemed to be other-than-temporary (“OTTI”). For impaired debt securities that are intended to be sold, or more likely than not will be required to be sold, the full amount of market decline is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit related OTTI for such debt securities is recognized in other comprehensive income net of applicable taxes. A decline in the market value of our securities portfolio could adversely affect our earnings.

Strong competition within our market areas may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms and unregulated or less regulated non-banking entities, operating locally and elsewhere. Many of these competitors have substantially greater resources and higher lending limits than we have and offer certain services that we do not or cannot provide. In addition, some of our competitors offer loans with lower interest rates on more attractive terms than loans we offer. Competition also makes it increasingly difficult and costly to attract and retain qualified employees. Our profitability depends upon our continued ability to successfully compete in our market area. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected.

The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. For additional information see “Business of Ponce De Leon Federal Bank—Market Area” and “—Competition.”

Our small size makes it more difficult for us to compete.

Our small asset size makes it more difficult to compete with other financial institutions that are larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. Our lower earnings may also make it more difficult to offer competitive salaries and benefits. In addition, our smaller customer base may make it difficult to generate meaningful non-interest income from such activities as securities and insurance brokerage. Finally, as a smaller institution, we are disproportionately affected by the continually increasing costs of compliance with new banking and other regulations.

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Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

Ponce De Leon Federal Bank is subject to extensive regulation, supervision and examination by the Office of the Comptroller of the Currency, and PDL Community Bancorp will be subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such regulation and supervision governs the activities in which an institution and its holding company may engage and are intended primarily for the protection of the federal deposit insurance fund and the depositors and borrowers of Ponce De Leon Federal Bank, rather than for our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent accounting firms. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) has significantly changed the regulation of banks and savings institutions and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies have been given significant discretion in drafting the implementing rules and regulations, many of which are not in final form. As a result, we cannot at this time predict the full extent to which the Dodd-Frank Act will impact our business, operations or financial condition. However, compliance with the Dodd-Frank Act and its implementing regulations and policies has already resulted in changes to our business and operations, as well as additional costs, and has diverted management’s time from other business activities, all of which have adversely affected our financial condition and results of operations. However, in February 2017, the President issued an executive order stating that a policy of his administration would be to make regulations efficient, effective, and appropriately tailored. The executive order directed certain regulatory agencies to review and identify laws and regulations that inhibit federal regulation of the U.S. financial system in a manner consistent with the policies stated in the executive order. Any changes in laws or regulation as a result of this review could result in a repeal, amendment to or delayed implementation of the Dodd-Frank Act.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury’s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations.

Our ability to originate loans could be restricted by recently adopted federal regulations.

The Consumer Financial Protection Bureau has issued a rule intended to clarify how lenders can avoid legal liability under the Dodd-Frank Act, which holds lenders accountable for ensuring a borrower’s ability to repay a mortgage loan. Under the rule, loans that meet the “qualified mortgage” definition will be presumed to have complied with the new ability-to- repay standard. Under the rule, a “qualified mortgage” loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less “bona fide discount points” for prime loans);
- interest-only payments;
- negative amortization; and
- terms of longer than 30 years.

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Also, to qualify as a “qualified mortgage,” a loan must be made to a borrower whose total monthly debt-to-income ratio does not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify a borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments.

In addition, the Dodd-Frank Act requires the Consumer Finance Protection Bureau to adopt rules and publish forms that combine certain disclosures that consumers receive in connection with applying for and closing on certain mortgage loans under the Truth in Lending Act and the Real Estate Settlement Procedures Act. The Consumer Financial Protection Bureau has implemented a final rule to implement this requirement, and the final rule was effective in October 2015.

We face significant operational risks because the financial services business involves a high volume of transactions and increased reliance on technology, including risk of loss related to cyber-security breaches.

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions and to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non-compliance with applicable regulatory standards or customer attrition due to potential negative publicity. In addition, we outsource some of our data processing to certain third-party providers. If these third-party providers encounter difficulties, including as a result of cyber-attacks or information security breaches, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected.

In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, or a breach of our security systems, including if confidential or proprietary information were to be mishandled, misused or lost, we could suffer financial loss, face regulatory action, civil litigation and/or suffer damage to our reputation.

We have become subject to more stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or limit our ability to pay dividends or repurchase shares.

A final capital rule, effective for Ponce De Leon Federal Bank on January 1, 2015, includes new minimum risk-based capital and leverage ratios and refines the definition of what constitutes “capital” for calculating these ratios. The new minimum capital requirements are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6.0% (increased from 4.0%); (iii) a total capital ratio of 8.0% (unchanged from prior rules); and (iv) a Tier I leverage ratio of 4.0%. The final rule also establishes a “capital conservation buffer” of 2.5%, and, when fully phased in, will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement is being phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the buffer amount.

We have analyzed the effects of these new capital requirements, and we believe that Ponce De Leon Federal Bank meets all of these new requirements, including the full 2.5% capital conservation buffer as if it had been fully phased in.

The application of more stringent capital requirements could, among other things, result in lower returns on equity, and result in regulatory actions if we are unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of the requirements of the Basel Committee on Banking Supervision (“Basel III”) could result in our having to lengthen the term of our funding sources, change our business models or increase our holdings of liquid assets. Specifically, following the completion of the stock offering, Ponce Bank’s ability to pay dividends to PDL Community Bancorp will be limited if it does not have the capital conservation buffer required by the new capital rules, which may further limit PDL Community Bancorp’s ability to pay dividends to stockholders. See “Regulation and Supervision—Federal Banking Regulation—Capital Requirements.”

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The cost of additional finance and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements will increase our expenses.

As a result of the completion of this offering, we will become a public reporting company. We expect that the obligations of being a public company, including the substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a stand-alone public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes Oxley Act”) requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we would expect to file with the Securities and Exchange Commission. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management’s attention from our operations.

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the Securities and Exchange Commission and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

Changes in management’s estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results.

In preparing this prospectus as well as periodic reports we will be required to file under the Securities Exchange Act of 1934, including our consolidated financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management’s best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for loan losses and our determinations with respect to amounts owed for income taxes.

Legal and regulatory proceedings and related matters could adversely affect us.

We have been and may in the future become involved in legal and regulatory proceedings. We consider most of the proceedings to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. There could be substantial cost and management diversion in such litigation and proceedings, and any adverse determination could have a materially adverse effect on our business, brand or image, or our financial condition and results of our operations.

We are subject to environmental liability risk associated with lending activities or properties we own.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property’s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies, which require us to perform an environmental review before initiating any foreclosure action on non-residential real property, may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

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We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected, by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected.

Our historical markets, minority and immigrant individuals, may be threatened by gentrification and adverse political developments, which could decrease our growth and profitability.

We believe that our historical strength has been our focus on the minority and immigrant markets. The continuing displacement of minorities due to gentrification of our communities may adversely affect us unless we are able to adapt and increase the acceptance of our products and services by non-minority customers. We may also be unfavorably impacted by political developments adverse to markets that are dependent on immigrant populations.

Risks Related to the Offering

The future price of our common stock may be less than the purchase price in the stock offering.

If you purchase shares of common stock in the offering, you may not be able to sell them later at or above the \$10.00 purchase price in the offering. In many cases, shares of common stock issued by newly converted savings institutions or mutual holding companies have traded below the initial offering price. The aggregate purchase price of the shares of common stock sold in the offering will be based on an independent appraisal. The independent appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The independent appraisal is based on certain estimates, assumptions and projections, all of which are subject to change from time to time. After the shares begin trading, the trading price of our common stock will be determined by the marketplace, and may be influenced by many factors, including prevailing interest rates, the overall performance of the economy, changes in federal tax laws, new regulations, investor perceptions of PDL Community Bancorp and the outlook for the financial services industry in general. Price fluctuations in our common stock may be unrelated to our operating performance.

The capital we raise in the stock offering may negatively impact our return on equity until we can fully implement our business plan. This could negatively affect the trading price of our shares of common stock.

Net income divided by average equity, known as “return on equity,” is a ratio many investors use to compare the performance of a financial institution to its peers. We expect our return on equity to remain relatively low until we are able to implement our business plan and leverage the additional capital we receive from the stock offering. Although we anticipate increasing net interest income using proceeds of the stock offering, our return on equity will be reduced by the capital raised in the stock offering, higher expenses from the costs of being a public company, and added expenses associated with our employee stock ownership plan, the stock-based benefit plans we intend to adopt and our charitable foundation. Until we can implement our business plan and increase our net interest income through investment of the proceeds of the offering, we expect our return on equity to remain relatively low compared to our peer group, which may reduce the value of our shares.

There may be a limited trading market in our common stock, which would hinder your ability to sell our common stock and may lower the market price of the stock.

We have never issued capital stock and there is no established market for our common stock. We expect that our common stock will be quoted and traded on the Nasdaq Global Market under the symbol “PDLB” upon conclusion of the stock offering, subject to completion of the stock offering and compliance with certain conditions. The development of an active trading market depends on the existence of willing buyers and sellers, the presence of which is not within our control, or that of any market maker. The number of active buyers and sellers of the shares of common stock at any particular time may be limited. Under such circumstances, you could have difficulty selling your shares of common stock on short notice, and, therefore, you should not view the shares of common stock as a short-term investment. In addition, our public “float,” which is the total number of our outstanding shares less

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the shares held by Ponce Bank Mutual Holding Company, our employee stock ownership plan and our directors and executive officers, is likely to be quite limited. As a result, it is unlikely that an active trading market for the common stock will develop or that, if it develops, it will continue. If you purchase shares of common stock, you may not be able to sell them at or above \$10.00 per share. Purchasers of common stock in this stock offering should have long-term investment intent and should recognize that there will be a limited trading market in the common stock. This may make it difficult to sell the common stock after the stock offering and may have an adverse impact on the price at which the common stock can be sold.

Our stock-based benefit plans will increase our costs, which will reduce our income.

We anticipate that our employee stock ownership plan will purchase an amount of shares of our common stock equal to 3.92% of our outstanding shares (including the shares held by Ponce Bank Mutual Holding Company and our charitable foundation), provided that, with approval of the Federal Reserve Board, our employee stock ownership plan may purchase some or all of such shares in the open market following the completion of the offering. If all shares are purchased in the open market at a price of \$10.00 per share, the cost of acquiring the shares of common stock for the employee stock ownership plan will be between \$4.7 million at the minimum of the offering range and \$7.2 million at the adjusted maximum of the offering range. We will record annual employee stock ownership plan expenses in an amount equal to the fair value of shares of common stock committed to be released to employees. If shares of common stock appreciate in value over time, compensation expense relating to the employee stock ownership plan will increase.

We also have adopted an employee stock ownership plan equalization plan in order to provide contributions for certain executives who are prevented from receiving full contributions and allocations under the employee stock ownership plan. This plan will increase our compensation expense, which presently is not quantifiable. It is anticipated that this expense will continue for the same period of time that the employee stock ownership plan is allocating shares of our common stock.

We also intend to adopt one or more stock-based benefit plans after the offering, under which participants would be awarded shares of restricted common stock (at no cost to them) and/or options to purchase shares of our common stock. Under federal regulations, we are authorized to grant awards of stock or options under one or more stock-based benefit plans in an amount up to 25% of the shares of common stock held by persons other than Ponce Bank Mutual Holding Company. The number of shares of common stock or options granted under any initial stock-based benefit plan may not exceed 1.96% and 4.90%, respectively, of our total outstanding shares, including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation.

The shares of restricted common stock granted under the stock-based benefit plans will be expensed by us over their vesting period based on the fair market value of the shares on the date they are awarded. If the shares of restricted common stock to be granted under the stock-based benefit plans are repurchased in the open market (rather than issued directly from authorized but unissued shares by PDL Community Bancorp) and cost the same as the purchase price in the offering, the reduction to stockholders' equity due to the plan would be between \$2.3 million at the minimum of the offering range and \$3.6 million at the adjusted maximum of the offering range. To the extent we repurchase shares of common stock in the open market to fund the grants of shares of restricted common stock under the plan, and the price of such shares exceeds the offering price of \$10.00 per share, the reduction to stockholders' equity would exceed the range described above. Conversely, to the extent the price of such shares is below the offering price of \$10.00 per share, the reduction to stockholders' equity would be less than the range described above.

We will generally recognize as an expense in our income statement the grant-date fair value of stock options as such options vest. When we record an expense related to the grant of options using the fair value method, we will incur significant compensation and benefits expense. As discussed in "Management's Discussion and Analysis", and based on certain assumptions discussed therein, we estimate this annual expense would be approximately \$467,000 on an after-tax basis, assuming we sell 8,308,362 shares in the offering.

The implementation of one or more stock-based benefit plans may dilute your ownership interest.

We intend to adopt one or more stock-based benefit plans following the reorganization and offering. The stock-based benefit plans will be funded through either open market purchases, if permitted, or from the issuance of authorized but unissued shares. Public stockholders would experience a reduction in ownership interest totaling 6.86% in the event newly issued shares are used to fund stock options and stock awards in an amount equal to 4.90% and 1.96%, respectively, of the total shares issued in the reorganization and offering (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation).

We have broad discretion in using the proceeds of the stock offering. Our failure to effectively deploy the net proceeds of the offering may have an adverse effect on our financial performance and the value of our common stock.

We intend to invest between \$25.5 million and \$34.8 million of the net proceeds of the offering in Ponce Bank. We also expect to use a portion of the net proceeds we retain to fund a loan for the purchase of shares of common stock in the offering by our employee stock ownership plan and will contribute \$200,000 to our charitable foundation as a part of the initial funding of the

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charitable foundation. We may use the remaining net proceeds to invest in short-term and other investments, repurchase shares of common stock, pay dividends, or for other general corporate purposes. Ponce Bank intends to use the net proceeds it receives to fund new loans, enhance existing products and services, invest in securities, expand its banking franchise, or for other general corporate purposes. However, with the exception of the loan to the employee stock ownership plan and the contribution to our charitable foundation, we have not allocated specific amounts of the net proceeds for any of these purposes, and we will have significant flexibility in determining the amount of the net proceeds we apply to different uses and the timing of such applications. Also, certain of these uses, such as any potential acquisition, paying dividends and repurchasing common stock, may require the approval of or non-objection from the Office of the Comptroller of the Currency or the Federal Reserve Board. We have not established a timetable for investing the net proceeds, and, accordingly, we may not invest the net proceeds at the time that is most beneficial to PDL Community Bancorp, Ponce Bank or the stockholders. For additional information see “How We Intend To Use The Proceeds From The Offering.”

Persons who purchase stock in the offering will own a minority of PDL Community Bancorp’s common stock and will not be able to exercise voting control over most matters put to a vote of stockholders.

Public stockholders will own a minority of the outstanding shares of PDL Community Bancorp’s common stock. As a result, stockholders other than Ponce Bank Mutual Holding Company will not be able to exercise voting control over most matters put to a vote of stockholders. Ponce Bank Mutual Holding Company will own a majority of PDL Community Bancorp’s common stock after the offering and, through its board of directors, will be able to exercise voting control over most matters put to a vote of stockholders. The same directors and officers who manage Ponce Bank will also manage PDL Community Bancorp and Ponce Bank Mutual Holding Company. Our board of directors, officers or Ponce Bank Mutual Holding Company may take action that the public stockholders believe to be contrary to their interests. The only matters as to which stockholders other than Ponce Bank Mutual Holding Company will be able to exercise voting control currently include any proposal to implement one or more stock-based benefit plans or a second-step conversion adopted within the first year after the reorganization is completed. In addition, Ponce Bank Mutual Holding Company may exercise its voting control to prevent a sale or merger transaction in which stockholders could receive a premium for their shares.

Our stock value may be negatively affected by our mutual holding company structure and federal regulations restricting takeovers.

Ponce Bank Mutual Holding Company, as the majority stockholder of PDL Community Bancorp, will be able to control the outcome of virtually all matters presented to stockholders for their approval, including a proposal to acquire PDL Community Bancorp. Accordingly, Ponce Bank Mutual Holding Company may prevent the sale of control or merger of PDL Community Bancorp or its subsidiaries even if such a transaction were favored by a majority of the public stockholders of PDL Community Bancorp. The board of directors of Ponce De Leon Federal Bank has decided to form a mutual holding company rather than undertake a standard conversion to stock form in part because the mutual holding company structure will allow our board of directors to control the future of PDL Community Bancorp and its subsidiaries. Additionally, although federal regulations permit a mutual holding company to be acquired by a mutual institution in a remutualization transaction, such a transaction may be unlikely because of the heightened regulatory scrutiny given to such transactions.

For three years following the offering, federal regulations prohibit any person from acquiring or offering to acquire more than 10% of our common stock without the prior written approval of the Federal Reserve Board and/or the Office of the Comptroller of the Currency. Moreover, current Federal Reserve Board and Office of the Comptroller of the Currency policy prohibits the acquisition of a mutual holding company subsidiary by any person or entity other than a mutual holding company or a mutual institution, and restricts the terms of permissible acquisitions. See “Restrictions on the Acquisition of PDL Community Bancorp and Ponce Bank” for a discussion of applicable Federal Reserve Board Regulations regarding acquisitions.

The corporate governance provisions in our charter and bylaws may prevent or impede the holders of a minority of our common stock from obtaining representation on our board of directors and may also prevent or impede a change in control.

Provisions in our charter and bylaws may prevent or impede holders of a minority of our common stock from obtaining representation on our board of directors. For example, our board of directors will be divided into three classes with staggered three-year terms. A classified board makes it more difficult for stockholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur. Second, our charter provides that there will not be cumulative voting by stockholders for the election of our directors, which means that Ponce Bank Mutual Holding Company, as the holder of a majority of the shares eligible to be voted at a meeting of stockholders, may elect all of our directors to be elected at that meeting. Also, we have the ability to issue preferred stock with voting rights to third parties who may be friendly to our board of directors.

In addition, a section in each of PDL Community Bancorp’s and Ponce Bank’s respective charters will generally provide that, for a period of five years from the closing of the offering, no person, other than Ponce Bank Mutual Holding Company, and, with respect to Ponce Bank, other than Ponce Bank Mutual Holding Company and PDL Community Bancorp, may directly or indirectly

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offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of PDL Community Bancorp or Ponce Bank held by persons other than Ponce Bank Mutual Holding Company, and, with respect to Ponce Bank, other than PDL Community Bancorp, and that any shares acquired in excess of this limit would not be entitled to be voted and would not be counted as voting stock in connection with any matters submitted to the stockholders for a vote.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

Our management team has limited experience managing a publicly-traded company or complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition into a public company, which will be subject to significant regulatory oversight and reporting obligations under federal securities laws. In particular, these new obligations will require substantial attention from our management and may divert their attention away from the day-to-day management of our business, which could materially and adversely impact our business operations.

You may not receive dividends on our common stock.

Holders of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. The declaration and payment of future cash dividends will be subject to, among other things, regulatory restrictions, our then current and projected consolidated operating results, financial condition, tax considerations, future growth plans, general economic conditions, and other factors our board of directors deems relevant. In particular, we will be limited in our ability to pay dividends to our public stockholders only, under the regulations that have been implemented by the Federal Reserve Board following the enactment of the Dodd-Frank Act with regard to dividend waivers by mutual holding companies. See “Regulation and Supervision—Federal Banking Regulation—Capital Requirements”; “—Capital Distributions”; and “—Holding Company Regulation—Waivers of Dividends by Ponce Bank Mutual Holding Company.”

PDL Community Bancorp will depend primarily upon the proceeds it retains from the offering as well as earnings of Ponce Bank to provide funds to pay dividends on our common stock. The payment of dividends by Ponce Bank also is subject to certain regulatory restrictions. Federal law generally prohibits a depository institution from making any capital distributions (including payment of a dividend) to its parent holding company if the depository institution would thereafter be or continue to be undercapitalized, and dividends by a depository institution are subject to additional limitations.

As a result, any payment of dividends in the future by PDL Community Bancorp will depend, in large part, on Ponce Bank’s ability to satisfy these regulatory restrictions and its earnings, capital requirements, financial condition and other factors.

Under current law, if we declare dividends on our common stock, Ponce Bank Mutual Holding Company will be restricted from waiving the receipt of dividends.

PDL Community Bancorp’s board of directors will have the authority to declare dividends on our common stock, subject to statutory and regulatory requirements. If PDL Community Bancorp pays dividends to its stockholders, it also will be required to pay dividends to Ponce Bank Mutual Holding Company, unless Ponce Bank Mutual Holding Company is permitted by the Federal Reserve Board to waive the receipt of dividends. The Federal Reserve Board’s current regulations significantly restrict the ability of newly organized mutual holding companies to waive dividends declared by their subsidiaries. Accordingly, because dividends would likely be required to be paid to Ponce Bank Mutual Holding Company along with all other stockholders, the amount of dividends available for all other stockholders will be less than if Ponce Bank Mutual Holding Company were to waive the receipt of dividends. PDL Community Bancorp has no present plan or intention to declare dividends on its common stock and no assurance can be given that it will consider the payment of dividends in the future.

You may not be able to sell your shares of common stock until you have received a statement reflecting ownership of shares, which will affect your ability to take advantage of changes in the stock price immediately following the offering.

A statement reflecting ownership of shares of common stock purchased in the offering may not be delivered for several days after the completion of the offering and the commencement of trading in the common stock. Your ability to sell the shares of common stock before receiving your ownership statement will depend on arrangements you may make with a brokerage firm, and you may not be able to sell your shares of common stock until you have received your ownership statement. As a result, you may not be able to take advantage of fluctuations in the price of the common stock immediately following the offering.

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We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, we also will not be subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

We could remain an “emerging growth company” for up to five years, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed \$1.0 billion, (b) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than \$1.0 billion in non-convertible debt during the preceding three-year period.

As a result, our stockholders may not have access to certain information they may deem important, and investors may find our common stock less attractive if we choose to rely on these exemptions. This could result in a less active trading market for our common stock and the price of our common stock may be more volatile.

Provisions in the Ponce Bank Mutual Holding Company charter may impede our ability to raise additional capital and may negatively impact the trading value of our stock.

The charter of Ponce Bank Mutual Holding Company requires the affirmative vote of a two-thirds majority of the votes cast at a members meeting to approve any plan of conversion and reorganization and related stock issuance plan of Ponce Bank Mutual Holding Company or Ponce Bank, and its affiliates. These provisions are in addition to the provisions in the Federal Reserve Board regulations that require the approval of such plans by an affirmative vote of two-thirds of Ponce Bank Mutual Holding Company’s board of directors and a majority of the votes eligible to be cast at a meeting of members called to consider such plans. The additional requirement may impede or prevent our ability to raise additional capital in the future by establishing a second member vote threshold that needs to be met prior to undertaking a stock offering. The uncertainty related to the ability to meet the second threshold may negatively impact the trading value of our stock.

Risks Related to the Contribution to our Charitable Foundation

The contribution to our charitable foundation will adversely affect net income in the year we complete the offering.

We intend to establish and fund a charitable foundation in connection with the reorganization and offering. We intend to contribute \$200,000 of the gross proceeds raised in the offering and 3.3% of our outstanding shares of common stock to a charitable foundation that we are establishing. The contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution to our charitable foundation. The after-tax expense of the contribution will reduce net income in the year in which we complete the offering by approximately \$3.6 million at the maximum of the offering range.

Our contribution to our charitable foundation may not be tax deductible, which could decrease our profits.

We believe that the contribution to our charitable foundation will be deductible for federal income tax purposes. However, the Internal Revenue Service may disagree with our determination and not grant tax-exempt status to our charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. It is expected that the value of the contribution of cash and shares will be \$5.5 million at the maximum of the offering range, which would result in after-tax expenses of approximately \$3.6 million. In the event that the Internal Revenue Service does not grant tax-exempt status to our charitable foundation or the contribution to our charitable foundation is otherwise not tax deductible, we would recognize as after-tax expense the full value of the entire contribution.

In addition, even if the contribution is tax deductible, we may not have sufficient profits to be able to use the deduction fully. Pursuant to the Internal Revenue Code of 1986, as amended, or the “Code,” an entity is permitted to deduct charitable contributions up to 10.0% of its taxable income prior to the charitable contribution deduction in any one year. Any contribution in excess of the 10.0% limit may be deducted for federal and state income tax purposes over each of the five years following the year in which the charitable contribution is made. Accordingly, a charitable contribution could, if necessary, be deducted over a six-year period. Our pre-tax income over this period may not be sufficient to fully use this deduction.

SELECTED FINANCIAL AND OTHER DATA

The summary information presented below at each date or for each of the periods presented is derived in part from the financial statements of Ponce De Leon Federal Bank. The financial condition data at December 31, 2016 and 2015, and the operating data for the years ended December 31, 2016 and 2015 were derived from the audited financial statements of Ponce De Leon Federal Bank included elsewhere in this prospectus. The information at and for the years ended December 31, 2014, 2013 and 2012 was derived in part from audited financial statements that are not included in this prospectus. The following information is only a summary, and should be read in conjunction with our financial statements and notes beginning on page F-1 of this prospectus.

	At December 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
Selected Financial Condition Data:					
Total assets	\$744,983	\$703,157	\$ 706,414	\$730,644	\$761,544
Cash and cash equivalents	11,716	12,694	15,849	12,752	21,141
Available for sale securities	52,690	82,034	100,574	102,305	108,693
Loans held for sale	2,143	3,303	2,707	5,667	—
Loans receivable, net	642,148	567,662	543,289	561,623	584,606
Other real estate owned	—	76	162	1,059	1,200
Bank premises and equipment, net	26,028	27,177	28,718	29,891	29,293
Federal Home Loan Bank stock, at cost	964	1,162	1,267	1,596	1,124
Deposits	643,078	599,506	599,697	627,060	666,851
Borrowings	3,000	8,000	10,000	11,000	—
Total capital accounts	92,992	91,062	89,600	87,711	86,147
	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
Selected Operating Data:					
Interest and dividend income	\$ 33,741	\$ 33,590	\$ 35,495	\$ 37,162	\$ 41,078
Interest expense	5,936	5,650	5,730	7,701	9,504
Net interest income	27,805	27,940	29,765	29,461	31,574
Provision (recovery) for loan losses	(57)	353	1,183	3,426	5,132
Net interest income after provision for loan losses	27,862	27,587	28,582	26,035	26,442
Noninterest income	2,431	2,462	2,749	3,106	3,042
Noninterest expense	27,863	26,216	25,797	24,671	23,970
Income before provision for income taxes	2,430	3,833	5,534	4,470	5,514
Provision for income taxes	1,005	1,315	2,998	2,015	1,424
Net income	1,425	2,518	2,536	2,455	4,090

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	At or For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Performance Ratios:					
Return on average assets	0.20%	0.35%	0.35%	0.33%	0.53%
Return on average equity	1.53%	2.76%	2.80%	2.79%	4.68%
Interest rate spread (1)	3.82%	3.96%	4.26%	3.98%	4.16%
Net interest margin (2)	4.02%	4.14%	4.42%	4.17%	4.36%
Noninterest expense to average assets	3.84%	3.67%	3.59%	3.30%	3.13%
Efficiency ratio (3)	92.15%	86.23%	79.34%	75.75%	69.25%
Average interest-earning assets to average interest-bearing liabilities	123.84%	121.66%	119.27%	117.72%	115.75%
Average equity to average assets	12.81%	12.78%	12.58%	11.79%	11.41%
Capital Ratios:					
Total capital to risk weighted assets (bank only)	19.21%	20.72%	20.32%	18.85%	17.97%
Tier 1 capital to risk weighted assets (bank only)	17.96%	19.46%	19.06%	17.59%	16.71%
Common equity Tier 1 capital to risk-weighted assets (bank only)	17.96%	19.46%	N/A	N/A	N/A
Tier 1 capital to average assets (bank only)	13.32%	13.67%	13.46%	12.65%	11.86%
Asset Quality Ratios:					
Allowance for loan losses as a percentage of total loans	1.57%	1.64%	1.71%	1.74%	1.69%
Allowance for loan losses as a percentage of nonperforming loans	132.15%	99.78%	58.77%	21.63%	18.02%
Net (charge-offs) recoveries to average outstanding loans during the year	0.13%	(0.06%)	(0.30%)	(0.61%)	(0.48%)
Non-performing loans as a percentage of total loans	1.18%	1.65%	2.91%	7.98%	9.73%
Non-performing loans as a percentage of total assets	1.04%	1.35%	2.28%	6.29%	7.59%
Total non-performing assets as a percentage of total assets	1.04%	1.36%	2.30%	6.38%	7.75%
Total non-performing assets, accruing loans past due 90 days or more, and accruing troubled debt restructured loans as a percentage of total assets	3.50%	4.19%	5.27%	7.50%	9.25%
Other:					
Number of offices	14	14	14	14	13
Number of full-time equivalent employees	174	175	164	168	168

- (1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.
- (2) Represents net interest income as a percentage of average interest-earning assets.
- (3) Represents noninterest expense divided by the sum of net interest income and noninterest income.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “assume,” “plan,” “seek,” “expect,” “will,” “may,” “should,” “indicate,” “would,” “believe,” “contemplate,” “continue,” “target” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this prospectus.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements, including as a result of Basel III;
- the impact of the Dodd-Frank Act and the implementing regulations;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third party providers to perform as expected;
- our ability to manage market risk, credit risk and operational risk in the current economic environment;
- our ability to enter new markets successfully and capitalize on growth opportunities;

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- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we may own.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please see “Risk Factors” beginning on page 19.

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we will not be able to determine the amount of actual net proceeds we will receive from the sale of shares of common stock until the offering is completed, we anticipate that the net proceeds will be between \$51.0 million and \$69.6 million, or \$80.4 million if the offering is increased by 15%, assuming in each case all shares are sold in the subscription offering and the community offering.

PDL Community Bancorp intends to distribute the net proceeds from the offering as follows:

	Based Upon the Sale at \$10.00 Per Share of							
	5,339,969 Shares at Minimum of Offering Range		6,282,316 Shares at Midpoint of Offering Range		7,224,663 Shares at Maximum of Offering Range		8,308,362 Shares at Adjusted Maximum of Offering Range(1)	
	Percent of Net Proceeds		Percent of Net Proceeds		Percent of Net Proceeds		Percent of Net Proceeds	
	Amount		Amount		Amount		Amount	
	(Dollars in thousands)							
Offering proceeds	\$ 53,400		\$62,823		\$ 72,247		\$ 83,084	
Less: offering expenses	(2,435)		(2,521)		(2,607)		(2,706)	
Net offering proceeds	<u>\$ 50,965</u>	100%	<u>\$60,302</u>	100%	<u>\$ 69,640</u>	100%	<u>\$ 80,378</u>	100%
Less:								
Proceeds to Ponce Bank	\$ 25,483	50	\$30,151	50	\$ 34,820	50	\$ 40,189	50
Proceeds contributed to charitable foundation	\$ 200	0.4	\$ 200	0.3	\$ 200	0.3	\$ 200	0.2
Proceeds used for loan to employee stock ownership plan (2)	<u>\$ 4,652</u>	<u>9.1</u>	<u>\$ 5,473</u>	<u>9.1</u>	<u>\$ 6,293</u>	<u>9.0</u>	<u>\$ 7,238</u>	<u>9.0</u>
Proceeds retained by PDL Community Bancorp	\$ 20,631	40.5%	\$24,479	40.6%	\$ 28,326	40.7%	\$ 32,751	40.8%

- (1) As adjusted to give effect to an increase in the number of shares, which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.
- (2) The employee stock ownership plan will purchase 3.92% of our outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation). The loan will be repaid principally through Ponce Bank's contribution to the employee stock ownership plan and dividends payable on common stock held by the employee stock ownership plan over the anticipated 15 year term of the loan. The interest rate for the employee stock ownership plan loan is expected to be equal to the prime rate, as published in *The Wall Street Journal*, on the closing date of the offering.

The net proceeds may vary because total expenses relating to the reorganization and offering may be more or less than our estimates. For example, our expenses would increase if a syndicated community offering were used to sell shares of common stock not purchased in the subscription offering and the community offering. See "The Reorganization and Offering—Plan of Distribution and Marketing Arrangements" for a discussion of fees to be paid in the event that shares are sold in a syndicated community offering. Payments for shares made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will result in a reduction of Ponce Bank's deposits. Ponce Bank will receive at least 50% of the net proceeds of the offering.

Use of Proceeds Retained by PDL Community Bancorp

PDL Community Bancorp:

- intends to initially invest the proceeds that it retains in interest earning deposits and in securities, including securities issued by the U. S. government and its agencies or government sponsored enterprises, mortgage-backed securities, and other securities as permitted by our investment policy. See "Business of Ponce Bank—Investment Activities;"
- may, in the future, use a portion of the proceeds that it retains to pay cash dividends or to repurchase shares of our common stock, although under current federal regulations, we may not repurchase shares of our common stock during the first year following the reorganization and offering except to fund stock-based benefit plans or when extraordinary circumstances exist with prior regulatory approval;
- may, in the future, use a portion of the proceeds that it retains to finance acquisitions of financial institutions or other financial services businesses, although no specific transactions are being considered at this time and no specific expansion is being considered at this time; and
- expects to use the proceeds that it retains from time to time for other general corporate purposes.

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The use of the proceeds may change based on changes in interest rates, equity markets, laws and regulations affecting the financial services industry, our relative position in the financial services industry, the attractiveness of potential acquisitions to expand our operations, and overall market conditions.

Use of Proceeds Received by Ponce Bank

Ponce Bank:

- intends to use a portion of the proceeds received to increase our lending capacity by providing us with additional capital to support new loans and higher lending limits;
- intends to use a portion of the proceeds received to fund new residential mortgage loans, nonresidential real estate loans, construction and land loans and business and consumer loans, in accordance with our business plan and lending guidelines. See “Business of Ponce De Leon Federal Bank—Lending Activities;”
- may use a portion of the proceeds received to support new loan, deposit and other financial products and services, including SBA and CDFI loans, if our board of directors determines that such products will help us compete more effectively in our market area or increase our financial performance;
- may invest a portion of the proceeds received in securities issued by the U. S. government and its agencies or government sponsored enterprises, mortgage-backed securities, and other securities as permitted by our investment policy. See “Business of Ponce De Leon Federal Bank—Investment Activities;”
- may, in the future, use a portion of the proceeds received to expand our retail banking franchise, by acquiring other financial institutions, branch offices or other financial services businesses, or establishing new branches or loan production offices, although no specific transactions are being considered at this time; and
- expects to use the proceeds received from time to time for other general corporate purposes.

The use of the proceeds may change based on changes in interest rates, equity markets, laws and regulations affecting the financial services industry, our relative position in the financial services industry, the attractiveness of potential acquisitions to expand our operations, and overall market conditions.

OUR POLICY REGARDING DIVIDENDS

We have no current plan or intention to pay cash dividends to our stockholders. However, if in the future the board of directors considers the payment of dividends, the payment and amount of any dividend payments will be subject to statutory and regulatory limitations, and will depend upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; our other uses of funds for the long-term value of stockholders; tax considerations; the Federal Reserve Board’s current regulations restricting the waiver of dividends by mutual holding companies; and general economic conditions. No assurance can be given that the board of directors will ever consider the payment of dividends and shareholders should have no expectation of such.

The Federal Reserve Board has issued a policy statement providing that dividends should be paid only out of current earnings and only if our prospective rate of earnings retention is consistent with our capital needs, asset quality and overall financial condition. Regulatory guidance also provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the holding company’s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the holding company’s overall rate or earnings retention is inconsistent with its capital needs and overall financial condition. We have no current plan or intention to pay dividends. However, should the board of directors in the future determine to consider the payment of dividends, the board of directors is expected to take into account a number of factors, including regulatory capital requirements, our financial condition and results of operations, other uses of funds for the long-term value of stockholders, tax considerations, statutory and regulatory limitations and general economic conditions. In addition, Ponce Bank’s ability to pay dividends will be limited if it does not have the capital conservation buffer required by the new capital rules, which may limit our ability to pay dividends to stockholders. See “Regulation and Supervision—Federal Banking Regulation—Capital Requirements.” No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in the future.

We will file a consolidated federal tax return with Ponce Bank. Accordingly, it is anticipated that any cash distributions that we make to our stockholders would be treated as cash dividends and not as a non-taxable return of capital for federal and state tax purposes. Additionally, pursuant to regulations of the Federal Reserve Board, during the three-year period following the stock offering, we may not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

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Pursuant to our charter, we are authorized to issue preferred stock. If we issue preferred stock, the holders thereof may have a priority over the holders of our shares of common stock with respect to the payment of dividends. For a further discussion concerning the payment of dividends on our shares of common stock, see “Description of Capital Stock of PDL Community Bancorp—Common Stock.” Dividends we can declare and pay will depend, in part, upon receipt of dividends from Ponce Bank, because initially we will have no source of income other than dividends from Ponce Bank and earnings from the investment of the net proceeds from the sale of shares of common stock retained by PDL Community Bancorp and interest payments received in connection with the loan to the employee stock ownership plan. Regulations of the Federal Reserve Board and the Office of the Comptroller of the Currency impose limitations on “capital distributions” by savings institutions. See “Regulation and Supervision—Federal Banking Regulation—Capital Distributions.”

Any payment of dividends by Ponce Bank to PDL Community Bancorp that would be deemed to be drawn out of Ponce Bank’s bad debt reserves, if any, would require a payment of taxes at the then-current tax rate by Ponce Bank on the amount of earnings deemed to be removed from the reserves for such distribution. Ponce Bank does not intend to make any distribution to PDL Community Bancorp that would create such a federal tax liability. See “Taxation.”

If PDL Community Bancorp should ever pay dividends to its stockholders, it will likely pay dividends to Ponce Bank Mutual Holding Company. The Federal Reserve Board’s current regulations significantly restrict the ability of newly organized mutual holding companies to waive dividends declared by their subsidiaries. Accordingly, we do not anticipate that, should a dividend ever be paid, Ponce Bank Mutual Holding Company will waive dividends paid by PDL Community Bancorp. See “Risk Factors—Risks Related to the Offering—Under current law, if we declare dividends on our common stock, Ponce Bank Mutual Holding Company will be restricted from waiving the receipt of dividends.”

MARKET FOR THE COMMON STOCK

PDL Community Bancorp is a to-be-formed company and has never issued capital stock. Ponce De Leon Federal Bank, as a mutual institution, has never issued capital stock. Accordingly, there is no established market for our common stock. PDL Community Bancorp expects that its common stock will be traded on the Nasdaq Global Market under the symbol “PDLB”.

In order to list our common stock on the Nasdaq Global Market, we are required to have at least three broker-dealers who will make a market in our common stock. Raymond James & Associates, Inc. has advised us that it intends to make a market in our common stock following the reorganization and offering, but it is under no obligation to do so or to continue to do so if it begins. Raymond James & Associates, Inc. also may assist us, if needed, in obtaining other market makers after the offering. We cannot assure you that other market makers will be obtained or that an active and liquid trading market for the common stock will develop or, if developed, will be maintained.

The development of an active trading market depends on the existence of willing buyers and sellers, the presence of which is not within our control, or that of any market maker. The number of active buyers and sellers of the shares of common stock at any particular time may be limited. Under such circumstances, you could have difficulty selling your shares of common stock on short notice, and, therefore, you should not view the shares of common stock as a short-term investment. Furthermore, we cannot assure you that, if you purchase shares of common stock, you will be able to sell them at or above \$10.00 per share. Purchasers of common stock in this stock offering should have long-term investment intent and should recognize that there may be a limited trading market in the common stock. This may make it difficult to sell the common stock after the stock offering and may have an adverse impact on the price at which the common stock can be sold.

HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE

At December 31, 2016, Ponce De Leon Federal Bank exceeded all of the applicable regulatory capital requirements and was considered “well capitalized.” The table below sets forth the historical equity capital and regulatory capital of Ponce De Leon Federal Bank at December 31, 2016, and the pro forma equity capital and regulatory capital of Ponce Bank after giving effect to the sale of shares of common stock at \$10.00 per share. The table assumes the receipt by Ponce Bank of 50% of the net proceeds. See “How We Intend to Use the Proceeds from the Offering.”

	Pro Forma at December 31, 2016, Based Upon the Sale in the Offering of (1)									
	Ponce De Leon Federal Bank Historical at December 31, 2016		5,339,969 Shares		6,282,316 Shares		7,224,663 Shares		8,308,362 Shares(2)	
	Percent of		Percent of		Percent of		Percent of		Percent of	
	Amount	Assets(3)	Amount	Assets(3)	Amount	Assets(3)	Amount	Assets(3)	Amount	Assets(3)
	(Dollars in thousands)									
Equity	\$ 92,992	12.48%	\$ 111,297	14.45%	\$ 114,734	14.81%	\$ 118,172	15.16%	\$ 122,124	15.56%
Tier 1 leverage capital	\$ 99,240	13.32%	\$ 117,545	15.26%	\$ 120,982	15.61%	\$ 124,420	15.96%	\$ 128,372	16.35%
Tier 1 leverage capital requirement	37,256	5.00%	38,520	5.00%	38,753	5.00%	38,987	5.00%	39,255	5.00%
Excess	\$ 61,984	8.32%	\$ 79,025	10.26%	\$ 82,229	10.61%	\$ 85,433	10.96%	\$ 89,117	11.35%
Tier 1 risk-based capital(4)	\$ 99,240	17.96%	\$ 117,545	21.07%	\$ 120,982	21.65%	\$ 124,420	22.23%	\$ 128,372	22.89%
Tier 1 risk-based requirement	\$ 44,217	8.00%	44,621	8.00%	44,696	8.00%	44,771	8.00%	44,857	8.00%
Excess	\$ 55,023	9.96%	\$ 72,924	13.07%	\$ 76,286	13.65%	\$ 79,649	14.23%	\$ 83,515	14.89%
Total risk-based capital(4)	\$ 106,190	19.21%	\$ 124,495	22.32%	\$ 127,932	22.90%	\$ 131,370	23.47%	\$ 135,322	24.13%
Total risk-based requirement	\$ 55,271	10.00%	\$ 55,777	10.00%	\$ 55,870	10.00%	\$ 55,964	10.00%	\$ 56,071	10.00%
Excess	\$ 50,919	9.21%	\$ 68,718	12.32%	\$ 72,062	12.90%	\$ 75,406	13.47%	\$ 79,251	14.13%
Common equity tier 1 risk-based capital(4)	\$ 99,240	17.96%	\$ 117,545	21.07%	\$ 120,982	21.65%	\$ 124,420	22.23%	\$ 128,372	22.89%
Common equity tier 1 risk-based requirement	35,926	6.50%	36,255	6.50%	36,316	6.50%	36,376	6.50%	36,446	6.50%
Excess	\$ 63,314	11.46%	\$ 81,290	14.57%	\$ 84,666	15.15%	\$ 88,044	15.73%	\$ 91,926	16.39%
Reconciliation of capital infused into Ponce Bank:										
Net offering proceeds to Ponce Bank			\$ 25,483		\$ 30,151		\$ 34,820		\$ 40,189	
Less: Common stock acquired by employee stock ownership plan			(4,652)		(5,473)		(6,293)		(7,238)	
Less: Common stock acquired by stock-based benefit plans			(2,326)		(2,736)		(3,147)		(3,619)	
Less: Assets retained by Ponce Bank Mutual Holding Company adjustment			(200)		(200)		(200)		(200)	
Pro forma increase			\$ 18,305		\$ 21,742		\$ 25,180		\$ 29,132	

- (1) Pro forma capital levels assume that the employee stock ownership plan purchases 3.92% of our total outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) with funds we lend and that one or more stock-based benefit plans purchases 1.96% of our total outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) for restricted stock awards. Pro forma capital calculated under generally accepted accounting principles (“GAAP”) and regulatory capital have been reduced by the amount required to fund these plans. See “Management—Employee Stock Ownership Plan”.
- (2) As adjusted to give effect to an increase in the number of shares, which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.
- (3) Tier 1 leverage capital levels are shown as a percentage of total adjusted assets. Risk-based capital levels are shown as a percentage of risk-weighted assets.
- (4) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk weighting.

CAPITALIZATION

The following table presents the historical capitalization of Ponce De Leon Federal Bank at December 31, 2016, and the pro forma consolidated capitalization of PDL Community Bancorp after giving effect to the offering, based upon the sale of the number of shares of common stock indicated in the table and the other assumptions set forth under “Pro Forma Data.”

	Ponce De Leon Federal Bank Historical Capitalization at December 31, 2016	Pro Forma Consolidated Capitalization at December 31, 2016 of PDL Community Bancorp Based Upon the Sale for \$10.00 Per Share of			
		5,339,969 Shares	6,282,316 Shares	7,224,663 Shares	8,308,362 Shares(1)
(Dollars in thousands)					
Deposits(2)	\$ 643,078	\$ 643,078	\$ 643,078	\$ 643,078	\$ 643,078
Borrowings	3,000	3,000	3,000	3,000	3,000
Total deposits and borrowings	\$ 646,078	\$ 646,078	\$ 646,078	\$ 646,078	\$ 646,078
Stockholders' equity:					
Preferred Stock, \$0.01 par value per share:10,000,000 shares authorized (post offering);none to be issued	\$ —	\$ —	\$ —	\$ —	\$ —
Common Stock, \$0.01 par value per share: 50,000,000 shares authorized (post offering); shares to be issued as reflected(3)	—	1,187	1,396	1,605	1,846
Additional paid-in capital(3)	—	53,695	63,514	73,333	84,625
Retained earnings(4)	99,242	99,242	99,242	99,242	99,242
Tax benefit of contribution to charitable foundation	—	1,399	1,634	1,869	2,140
Accumulated other comprehensive income	(167)	(167)	(167)	(167)	(167)
Less:					
Assets retained by Ponce Bank Mutual Holding Company(5)	—	(200)	(200)	(200)	(200)
Common stock acquired by employee stock ownership plan(6)	—	(4,652)	(5,473)	(6,293)	(7,238)
Common stock acquired by stock-based benefit plans(7)	—	(2,326)	(2,736)	(3,147)	(3,619)
Expense of contribution of stock to charitable foundation	—	(3,916)	(4,607)	(5,298)	(6,093)
Expense of cash contribution to charitable foundation (5)	—	(200)	(200)	(200)	(200)
Defined benefit pension liabilities, net of taxes	(6,083)	(6,083)	(6,083)	(6,083)	(6,083)
Total stockholders' equity	\$ 92,992	\$ 137,979	\$ 146,320	\$ 154,661	\$ 164,253
Total tangible stockholders' equity	\$ 92,992	\$ 137,979	\$ 146,320	\$ 154,661	\$ 164,253
Pro forma shares outstanding:					
Shares offered for sale	—	5,339,969	6,282,316	7,224,663	8,308,362
Shares issued to Ponce Bank Mutual Holding Company	—	6,135,031	7,217,684	8,300,337	9,545,388
Shares issued to charitable foundation	—	391,598	460,703	529,808	609,279
Total shares outstanding	—	11,866,598	13,960,703	16,054,808	18,463,023
Total stockholders' equity as a percentage of pro forma total assets	12.48%	17.47%	18.33%	19.17%	20.12%

- (1) As adjusted to give effect to a 15% increase in the number of shares of common stock outstanding after the offering, which could occur due to an increase in the maximum of the independent valuation to reflect demand for the shares or changes in market conditions following the commencement of the offering.
- (2) Does not reflect withdrawals from deposit accounts for the purchase of shares of common stock in the offering. Such withdrawals would reduce pro forma deposits by the amount of such withdrawals.
- (3) The sum of the par value and additional paid-in capital equals the net offering proceeds. No effect has been given to the issuance of additional shares of common stock pursuant to stock options under one or more stock-based benefit plans that PDL Community Bancorp expects to adopt. The plan of reorganization permits PDL Community Bancorp to adopt one or more stock benefit plans, subject to stockholder approval, in an amount up to 25% of the shares of common stock held by persons other than Ponce Bank Mutual Holding Company and our charitable foundation. If the plans are implemented within one year following the completion of the offering, up to 4.90% and 1.96% of PDL Community Bancorp outstanding shares of common stock (including shares issued to Ponce Bank Mutual Holding Company and contributed to our charitable foundation) will be reserved for issuance upon the exercise of stock option and for issuance as restricted stock awards, respectively. See “Management – Benefits to be Considered Following Completion of the Stock Offering”.
- (4) The retained earnings of Ponce Bank will be substantially restricted after the offering. See “Regulation and Supervision—Federal Banking Regulation—Capital Distributions.”
- (5) Pro forma stockholders' equity reflects a \$200,000 initial capitalization of Ponce Bank Mutual Holding Company and a \$200,000 contribution to our charitable foundation.

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- (6) Assumes that 3.92% of the shares of common stock outstanding following the reorganization and offering (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) will be purchased by the employee stock ownership plan at a price of \$10.00 per share and that the funds used to acquire the employee stock ownership plan shares will be borrowed from PDL Community Bancorp. The common stock acquired by the employee stock ownership plan is reflected as a reduction of stockholders' equity. Ponce Bank will provide the funds to repay the employee stock ownership plan loan. See "Management—Employee Stock Ownership Plan."
- (7) Assumes that subsequent to the offering, 1.96% of the shares of common stock issued in the offering (including shares of common stock issued to Ponce Bank Mutual Holding Company and to our charitable foundation) are purchased by PDL Community Bancorp for stock awards under one or more stock-based benefit plans in the open market. The shares of common stock to be purchased by the stock-based benefit plans are reflected as a reduction of stockholders' equity. See "Pro Forma Data" and "Management—Benefits to be Considered Following Completion of the Stock Offering." The plan of reorganization permits PDL Community Bancorp to adopt one or more stock-based benefit plans that award stock or stock options, in an aggregate amount up to 25% of the shares of common stock held by persons other than Ponce Bank Mutual Holding Company. The stock-based benefit plans will not be implemented for at least six months after the reorganization and offering and not until they have been approved by stockholders.

PRO FORMA DATA

The following tables summarize historical data of Ponce De Leon Federal Bank and pro forma data of PDL Community Bancorp at and for the year ended December 31, 2016. The information provided illustrates our pro forma net income and shareholders' equity based on the sale of common stock at the minimum, midpoint, maximum and 15.0% above the maximum of the offering range. The actual net proceeds from the sale of the common stock cannot be determined until the offering is completed and may vary from our estimates.

Net proceeds indicated in the following tables are based upon the following assumptions:

- all shares of common stock will be sold in the subscription and community offerings;
- our employee stock ownership plan will purchase 3.92% of the total shares of common stock issued in the offering (including shares of common stock issued to Ponce Bank Mutual Holding Company and contributed to our charitable foundation) with a loan from PDL Community Bancorp. The loan will be repaid in substantially equal payments of principal and interest over a period of 15 years;
- Raymond James & Associates, Inc. will receive a marketing fee equal to 1.0% of the dollar amount of the shares of common stock sold in the subscription and community offerings. Shares purchased by our employee stock ownership plan or by our officers, directors and employees, and their immediate families and shares contributed to our charitable foundation will not be included in calculating the shares of common stock sold for this purpose;
- a contribution of \$200,000 and 3.3% of our outstanding shares of common stock will be made to the charitable foundation; and
- expenses of the offering, other than fees to be paid to Raymond James & Associates, Inc., will be approximately \$1.8 million.

We calculated pro forma consolidated net income for the year ended December 31, 2016, as if the estimated net proceeds had been invested at an assumed interest rate of 1.93% (1.27% on an after-tax basis). This represents the yield on the five-year United States Treasury Note at December 31, 2016, which, in light of current market interest rates, we consider to more accurately reflect the pro forma reinvestment rate than the arithmetic average of the weighted average yield earned on our interest earning assets and the weighted average rate paid on our deposits, which is the reinvestment rate generally required by federal regulators.

We calculated historical and pro forma per share amounts by dividing historical and pro forma consolidated net income and shareholders' equity by the indicated number of shares of common stock. We computed per share amounts as if the shares of common stock were outstanding at the beginning of the period, but we did not adjust per share historical or pro forma shareholders' equity to reflect the earnings on the estimated net proceeds.

The pro forma tables give effect to the implementation of a stock-based benefit plan. Subject to the receipt of shareholder approval, we have assumed that a stock-based benefit plan will acquire for restricted stock awards a number of shares of common stock equal to 1.96% of the outstanding shares of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) at the same price for which they were sold in the offering. We assume that shares of common stock are granted under the plan in awards that vest over a five-year period.

We have also assumed that options to acquire shares of common stock equal to 4.9% of the outstanding shares of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) will be granted under a stock-based benefit plan. In preparing the tables below, we assumed that shareholder approval was obtained, that the exercise price of the stock options and the market price of the stock at the date of grant were \$10.00 per share and that the stock options had a term of 10 years and vested over five years. We applied the Black-Scholes option pricing model to estimate a grant-date fair value of \$2.82 for each option. In addition to the terms of the options described above, the Black-Scholes option pricing model assumed an estimated volatility rate of 13.42% for the shares of common stock, a dividend yield of 0.0%, an expected option life of 10 years and a risk-free interest rate of 2.45%.

We may grant options and award shares of common stock under a stock-based benefit plan in excess of 4.9% and 1.96%, respectively, of the outstanding shares of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) if the stock-based benefit plan is adopted more than one year following the offering. In addition, we may grant options and award shares that vest sooner than over a five-year period if the stock-based benefit plan is adopted more than one year following the offering.

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As discussed under the section of this prospectus entitled “How We Intend To Use The Proceeds From The Offering,” we intend to contribute 50% of the net proceeds to Ponce Bank, to contribute a portion of the net proceeds to our charitable foundation, and to fund a loan to the employee stock ownership plan with a portion of the net proceeds. We intend to retain the rest of the proceeds for future use.

The pro forma table does not give effect to:

- withdrawals from deposit accounts to purchase shares of common stock in the offering;
- our results of operations after the offering; or
- changes in the market price of the shares of common stock after the offering.

The following pro forma information may not represent the financial effects of the offering at the date on which the offering actually occurs and you should not use the table to indicate future results of operations. Pro forma shareholders' equity represents the difference between the stated amount of our assets and liabilities, computed in accordance with generally accepted accounting principles. We did not increase or decrease shareholders' equity to reflect the difference between the carrying value of loans and other assets and their market value. Pro forma shareholders' equity is not intended to represent the fair market value of the shares of common stock and may be different than the amounts that would be available for distribution to shareholders if we liquidated. Pro forma shareholders' equity does not give effect to the impact of intangible assets or the liquidation account we will establish in the reorganization.

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	At or For the Year Ended December 31, 2016 Based Upon the Sale at \$10.00 Per Share of			
	5,339,969 Shares (Minimum of Offering Range)	6,282,316 Shares (Midpoint of Offering Range)	7,224,663 Shares (Maximum of Offering Range)	8,308,362 Shares (Adjusted Maximum Offering of Range)(1)
	(Dollars in thousands, except per share amounts)			
Gross proceeds of offering:	\$ 53,400	\$ 62,823	\$ 72,247	\$ 83,084
Less—Expenses	2,435	2,521	2,607	2,706
Estimated net proceeds	\$ 50,965	\$ 60,302	\$ 69,640	\$ 80,378
Less: Funding of Ponce De Leon Mutual Holding Company	(200)	(200)	(200)	(200)
Less: Cash contribution to charitable foundation	(200)	(200)	(200)	(200)
Less: Common Stock purchased by employee stock ownership plan (2)	(4,652)	(5,473)	(6,293)	(7,238)
Less: Common Stock awarded under equity incentive plan (3)	(2,326)	(2,736)	(3,147)	(3,619)
Estimated net proceeds as adjusted	\$ 43,587	\$ 51,693	\$ 59,800	\$ 69,121
Net Income:				
Historical	\$ 1,425	\$ 1,425	\$ 1,425	\$ 1,425
Pro forma income on adjusted net proceeds	555	658	762	880
Pro forma employee stock ownership plan adjustment (2)	(205)	(241)	(277)	(318)
Pro forma stock award adjustment (3)	(307)	(361)	(415)	(478)
Pro form stock option adjustment (4)	(300)	(353)	(406)	(467)
Pro forma net income:	<u>\$ 1,168</u>	<u>\$ 1,128</u>	<u>\$ 1,089</u>	<u>\$ 1,042</u>
Per basic share net income:				
Historical	\$ 0.12	\$ 0.11	\$ 0.09	\$ 0.08
Pro forma income on adjusted net proceeds	0.05	0.05	0.05	0.05
Pro forma employee stock ownership plan adjustment (2)	(0.02)	(0.02)	(0.02)	(0.02)
Pro forma stock award adjustment (3)	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma stock option adjustment (4)	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma net income per basic share (5)	0.09	\$ 0.08	\$ 0.06	\$ 0.05
Offering price as a percentage of proform stockholders' equity per share	111.11	125.00	166.67	200.00
Number of shares outstanding for pro forma net income per share calculations (5)	11,432,438	13,449,927	15,467,416	17,787,528
Stockholders' equity:				
Historical	\$ 92,992	\$ 92,992	\$ 92,992	\$ 92,992
Estimated net proceeds	50,965	60,302	69,640	80,378
Less: Capitalization of Ponce Bank Mutual Holding Company	(200)	(200)	(200)	(200)
Plus: Market value of shares issues to charitable foundation	3,916	4,607	5,298	6,093
Less: Expense of contribution of stock to charitable foundation (6)	(3,916)	(4,607)	(5,298)	(6,093)
Less: Expense of cash contribution to charitable foundation (6)	(200)	(200)	(200)	(200)
Plus: Tax benefit of contribution to charitable foundation	1,399	1,634	1,869	2,140
Less: Common stock acquired by employee stock ownership plan	(4,652)	(5,473)	(6,293)	(7,238)
Less: Common stock awarded under equity incentive plan (3)(4)	(2,326)	(2,736)	(3,147)	(3,619)
Pro forma stockholders' equity	<u>\$ 137,978</u>	<u>\$ 146,319</u>	<u>\$ 154,661</u>	<u>\$ 164,253</u>
Intangible assets	(3)	(3)	(3)	(3)
Pro forma tangible stockholders' equity	<u>\$ 137,976</u>	<u>\$ 146,317</u>	<u>\$ 154,658</u>	<u>\$ 164,250</u>
Stockholders' equity per share:				
Historical	\$ 7.84	\$ 6.66	\$ 5.79	\$ 5.04
Estimated net proceeds	4.29	4.32	4.33	4.35
Less: Capitalization of Ponce Bank Mutual Holding Company	(0.02)	(0.01)	(0.01)	(0.01)
Plus: Market value of shares issued to charitable foundation	0.33	0.33	0.33	0.33
Less: Expense of contribution of stock to charitable foundation	(0.33)	(0.33)	(0.33)	(0.33)
Less: Expense of cash contribution to charitable foundation	(0.02)	(0.01)	(0.01)	(0.01)
Plus: Tax benefit of contribution to charitable foundation	0.12	0.12	0.12	0.12
Less: Commons stock acquired by employee stock ownership plan (2)	(0.39)	(0.39)	(0.39)	(0.39)
Less: Common stock awarded under equity incentive plan (3)	(0.20)	(0.20)	(0.20)	(0.20)
Pro forma stockholders' equity per share (3)(6)	<u>\$ 11.62</u>	<u>\$ 10.49</u>	<u>\$ 9.63</u>	<u>\$ 8.90</u>
Intangible assets	0.00	(0.00)	0.00	0.00
Pro forma tangible stockholders' equity per share	<u>\$ 11.62</u>	<u>\$ 10.49</u>	<u>\$ 9.63</u>	<u>\$ 8.90</u>
Offering price as a percentage of pro forma shareholders' equity per share	<u>86.06%</u>	<u>95.42%</u>	<u>103.84%</u>	<u>112.36%</u>
Offering price as a percentage of pro forma tangible stockholders' equity per share	<u>86.06%</u>	<u>95.42%</u>	<u>103.84%</u>	<u>112.36%</u>
Number of shares outstanding for pro forma book value per share calculation	11,866,598	13,960,703	16,054,808	18,463,029

(1) As adjusted to give effect to an increase in the number of shares which could occur due a 15.0% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

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- (2) Assumes that 3.92% of the outstanding shares of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed from PDL Community Bancorp at a fixed-rate per annum equal to the Wall Street Journal prime rate on the closing of the offering. Ponce Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt, based upon 15 equal annual installments of principal and interest. Accounting Standard Codification, or “ASC” 718-40-30 requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that the employee stock ownership plan shares are allocated in 15 equal annual installments, the fair value of the common stock remains equal to the subscription price and the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 40.0%. The unallocated employee stock ownership plan shares are reflected as a reduction of shareholders’ equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income assumes that 31,011, 36,484, 41,957 and 48,250 shares were committed to be released during the year ended December 31, 2016 at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively. In accordance with ASC 718-40-30, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for purposes of income per share calculations.
- (3) If approved by PDL Community Bancorp’s shareholders, one or more stock-based benefit plans may issue an aggregate number of shares of common stock equal to 1.96% of the outstanding share of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) (or possibly a greater number of shares if the plan is implemented more than one year after completion of the reorganization). Shareholder approval of the stock-based benefit plans and purchases by the plan may not occur earlier than six months following the completion of the reorganization. The shares may be acquired directly from PDL Community Bancorp or through open market purchases. The funds to be used by the stock-based benefit plan to purchase the shares will be provided by PDL Community Bancorp. The table assumes that (i) the stock-based benefit plan acquires the shares through open market purchases at \$10.00 per share; (ii) 20.0% of the amount contributed to the stock-based benefit plan is amortized as an expense during the fiscal year and (iii) the stock-based benefit plan expense reflects an effective combined federal and state tax rate of 40.0%. Assuming shareholder approval of the stock-based benefit plan and that shares of common stock equal to 1.96% of the outstanding share of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) are awarded through the use of authorized but unissued shares of common stock, shareholders would have their ownership and voting interests diluted by approximately 1.9%.
- (4) If approved by PDL Community Bancorp’s shareholders, one or more stock-based benefit plans may grant options to acquire an aggregate number of shares of common stock equal to 4.9% of the outstanding share of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) (or possibly a greater number of shares if the plan is implemented more than one year after completion of the reorganization). Shareholder approval of the stock-based benefit plan may not occur earlier than six months following the completion of the reorganization. In calculating the pro forma effect of the stock options to be granted under the stock-based benefit plan, it is assumed that the exercise price of the stock options and the trading price of the common stock at the date of grant were \$10.00 per share, the estimated grant-date fair value determined using the Black-Scholes option pricing model was \$2.82 for each option, and the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options. The actual expense of the stock options to be granted under the stock-based benefit plan will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used in the option pricing model ultimately adopted. Under the above assumptions, the adoption of the stock-based benefit plan will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the \$10.00 price per share. If a portion of the shares to satisfy the exercise of options under the stock-based benefit plan is obtained from the issuance of authorized but unissued shares, our net income per share and shareholders’ equity per share would decrease. Assuming shareholder approval of the stock-based benefit plan and that shares of common stock used to fund stock options equal to 4.9% of the outstanding share of common stock (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) are awarded through the use of authorized but unissued shares of common stock, shareholders would have their ownership and voting interests diluted by approximately 4.7%.
- (5) Income per share computations are determined by taking the number of shares assumed to be sold in the offering and, in accordance with applicable accounting standards for employee stock ownership plans, subtracting the employee stock ownership plan shares that have not been committed for release during the period. See note 2 above.
- (6) Does not give effect to the nonrecurring expense that is expected to be recognized as a result of the contribution of cash and shares of common stock to our charitable foundation. Assuming the contribution to the foundation was expensed, the estimated before tax expense, estimated after-tax expense and pro forma tax benefit associated with the contribution to the foundation, and the pro forma net loss and pro forma net loss per share are set forth in the table below. The pro forma data assume that we will realize 100.0% of the income tax benefit as a result of the contribution to the foundation based on a 40.0% income tax rate. The realization of the tax benefit is limited annually to 10% of our annual taxable income. However, for federal and state tax purposes, we can carry forward any unused portion of the deduction for five years following the year in which the contribution is made.

	Minimum of Offering Range	Midpoint of Offering Range	Maximum of Offering Range	Adjusted Maximum of Offering Range
	(In Thousands)			
For the year ended December 31, 2016				
Before tax expense of contribution	(\$4,116)	(\$4,807)	(\$5,498)	(\$6,293)
Estimated after tax expense of contribution	(\$2,717)	(\$3,173)	(\$3,629)	(\$4,153)
Pro forma net loss	(\$1,549)	(\$2,045)	(\$2,540)	(\$3,111)
Pro forma net loss per share	(\$0.14)	(\$0.15)	(\$0.16)	(\$0.17)
Pro forma tax benefit	\$1,399	\$1,634	\$1,869	\$2,140

- (7) The retained earnings of Ponce Bank will be substantially restricted after the reorganization. See “Our Policy Regarding Dividends,” and “Regulation and Supervision” The number of shares used to calculate pro forma shareholders’ equity per share is equal to the total number of shares to be outstanding upon completion of the offering.

**COMPARISON OF VALUATION AND PRO FORMA INFORMATION
WITH AND WITHOUT OUR CHARITABLE FOUNDATION**

As reflected in the table below, if we did not intend to establish and fund our charitable foundation as part of the offering, RP Financial L. C. estimates that our pro forma valuation would be greater and, as a result, a greater number of shares of common stock would be offered in the offering. At the minimum, midpoint, maximum and adjusted maximum of the valuation range, our pro forma valuation is \$118.7 million, \$139.6 million, \$160.5 million and \$184.6 million, respectively, with our charitable foundation, as compared to \$122.4 million, \$144.0 million, \$165.6 million and \$190.4 million, respectively, without our charitable foundation. There is no assurance that in the event our charitable foundation were not formed, the appraisal prepared at that time would conclude that our pro forma market value would be the same as that estimated in the table below. Any appraisal prepared at that time would be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

For comparative purposes only, set forth below are certain pricing ratios and financial data and ratios at and for the year ended December 31, 2016 at the minimum, midpoint, maximum and adjusted maximum of the offering range, assuming the offering was completed at the beginning of the year, with and without our charitable foundation.

	Minimum of Offering Range		Midpoint of Offering Range		Maximum of Offering Range		Adjusted Maximum of Offering Range	
	With Foundation	Without Foundation	With Foundation	Without Foundation	With Foundation	Without Foundation	With Foundation	Without Foundation
(Dollars in Thousands, except per share data)								
Estimated offering amount	\$ 53,400	\$ 59,119	\$ 62,823	\$ 69,552	\$ 72,247	\$ 79,985	\$ 83,084	\$ 91,983
Estimated enterprise value	118,866	122,400	139,607	144,000	160,548	165,600	184,630	190,440
Total assets	789,970	794,215	798,311	803,282	806,652	812,348	816,244	822,775
Total liabilities	651,991	651,991	651,991	651,991	651,991	651,991	651,991	651,991
Pro forma shareholders' equity	137,979	142,224	146,320	151,291	154,661	160,357	164,253	170,784
Pro form net income	\$ 1,168	\$ 1,214	\$ 1,128	\$ 1,183	\$ 1,089	\$ 1,150	\$ 1,042	\$ 1,113
Pro forma shareholders' equity per share	\$ 11.62	\$ 11.62	\$ 10.48	\$ 10.51	\$ 9.63	\$ 9.68	\$ 8.90	\$ 8.96
Pro forma net income per share	\$ 0.09	\$ 0.10	\$ 0.08	\$ 0.09	\$ 0.06	\$ 0.07	\$ 0.05	\$ 0.06
Pro forma pricing ratios:								
Offering price as a percentage of pro forma shareholder's equity per share	86.06%	86.06%	95.42%	95.15%	103.84%	103.31%	112.36%	111.61%
Offering price to pro forma net income per share	111.11x	97.18x	125.00x	117.23x	166.67x	138.70x	200.00x	165.02x
Pro forma financial ratios:								
Return on assets	0.15%	0.15%	0.14%	0.15%	0.14%	0.14%	0.13%	0.14%
Return on equity	0.85%	0.85%	0.77%	0.78%	0.70%	0.72%	0.63%	0.65%
Equity to assets	17.47%	17.91%	18.33%	18.83%	19.17%	19.74%	20.12%	20.76%
Total shares issued	11,866,598	12,240,000	13,960,703	14,400,000	16,054,808	16,560,000	18,463,029	19,044,000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PONCE DE LEON FEDERAL BANK

This discussion and analysis reflects our financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the financial statements, which appear beginning on page F-1 of this prospectus. You should read the information in this section in conjunction with the business and financial information regarding Ponce De Leon Federal Bank provided in this prospectus.

Overview

Total assets increased \$41.8 million, or 5.9%, to \$745.0 million at December 31, 2016 from \$703.2 million at December 31, 2015. The increase was due to an increase in loans, partially offset by a decrease in available-for-sale securities. Net loans receivable (which excludes loans held for sale) increased \$74.4 million, or 13.1%, to \$642.1 million at December 31, 2016 from \$567.7 million at December 31, 2015, reflecting increases in all loan categories.

Net income decreased \$1.1 million, or 44.0%, to \$1.4 million for the year ended December 31, 2016, compared to \$2.5 million for the year ended December 31, 2015. The decrease was due to an increase in non-interest expenses, which increased \$1.7 million, or 6.5%, to \$27.9 million for the year ended December 31, 2016 from \$26.2 million for the year ended December 31, 2015. This was caused primarily by a \$1.5 million, or 11.1%, increase in compensation, employee benefits and recruitment expenses, as we continued to add experienced senior level individuals to complement our management team and increase our sales and relationship management personnel and marketing outlays to generate organic growth, and by a \$303,000, or 12.7%, increase in other operating expenses and \$318,000, or 23.0%, increase in data processing expenses. These increases in non-interest expense were mitigated by a \$361,000, or 40.2% decrease in federal deposit insurance premiums and a \$235,000, or 33.6%, decrease in insurance and surety bond premiums.

An increase in interest rates will present us with a challenge in managing our interest rate risk. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which can result in interest expense increasing more rapidly than increases in interest income as interest rates increase. Therefore, increases in interest rates may adversely affect our net interest income and net economic value, which in turn would likely have an adverse effect on our results of operations. As described in "—Management of Market Risk," we expect that our net interest income and our net economic value would decrease as a result of an instantaneous increase in interest rates. To help manage interest rate risk, we promote core deposit products and we are diversifying our loan portfolio by introducing new lending programs. See "—Business Strategy", "—Management of Market Risk" and "Risk Factors—Risks Related to Our Business— Future changes in interest rates could reduce our profits and asset values."

Business Strategy

Our goal is to provide long-term value to our stockholders, customers, employees and the communities we serve by executing a safe and sound business strategy that produces increasing earnings. We believe there is a significant opportunity for a community-focused, minority oriented bank to provide a full range of financial services to commercial and retail customers in our market area, and the increased capital we will have after the completion of the offering will enable us to compete more effectively in the financial services marketplace.

Our current business strategy consists of the following:

- **Continue to expand our multifamily and nonresidential loans.** The additional capital raised in the stock offering will increase our capacity to originate multifamily and nonresidential loans. At December 31, 2016, multifamily and nonresidential loans (not including owner used or owner occupied multifamily loans), together with construction and land loans, totaled \$291.7 million or 274.7% of total risk-based capital. Under our current board approved loan concentration policy, such loans, including construction and land loans, shall not exceed 300% of our total risk-based capital. Most multifamily and nonresidential loans are originated with adjustable rates and, as a result, these loans are expected to increase loan yields with shorter repricing terms than fixed-rate loans. Multifamily and nonresidential loan originations increased in 2016 by \$30.9 million, or 59.0%, when compared to 2015 originations.
- **Introduce new lending programs.** The Bank is currently in the process of becoming an authorized direct lender under the Small Business Administration (SBA). The Bank is also currently in the process of becoming a Community Development Financial Institution (CDFI). The addition of both of these programs combined with the existing products will bolster the Bank's commitment to continue to serve the communities that it has supported over the past sixty years.

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- **Continue to increase core deposits, with an emphasis on low cost commercial demand deposits, and add non-core funding sources.** Deposits are the major source of balance sheet funding for lending and other investments. We have made significant investments in new products and services, personnel, branch distribution system as well as enhancing our electronic delivery solutions in an effort to become more competitive in the financial services marketplace and attract more core deposits. Core deposits are our least costly source of funds and represent our best opportunity to develop customer relationships that enable us to cross-sell our enhanced products and services. Total deposits increased by \$43.6 million, or 7.3%, at December 31, 2016 to \$643.1 million compared to \$599.5 million at December 31, 2015. The majority of the increase was due to an increase of \$20.2 million in demand deposits and \$16.6 million in money market accounts. Certificates of deposit accounted for 57.3% of total deposits at December 31, 2016 compared to 60.7% at December 31, 2015. While we will continue to use certificates of deposit as a funding source, our goal is to continue to reduce our heavy reliance on this source of funding as we grow our core deposit base.
- **Manage credit risk to maintain a low level of nonperforming assets.** We believe strong asset quality is a key to our long-term financial success. Our strategy for credit risk management focuses on having an experienced team of credit professionals, well-defined policies and procedures, appropriate loan underwriting criteria and active credit monitoring. Our non-performing assets to total assets ratio was 1.04% at December 31, 2016 and 1.35% at December 31, 2015, compared to 7.48% at December 31, 2012. The majority of our non-performing assets have been related to one-to-four family and multifamily residential real estate loans, as our residential borrowers experienced difficulties repaying their loans during the past recession. We intend to increase our investment in our credit review function, both in personnel as well as ancillary systems, in order to be able to evaluate more complex loans and better manage credit risk, which will also support our intended loan growth.
- **Expand our employee base to support future growth.** We have already made significant investments in our employee base. However the additional capital being raised in the offering will provide us with additional resources to attract and retain the necessary talent to support increased lending, deposit activities and enhanced information technology. The potential to offer equity awards in the future following the offering will also allow us to be more competitive when hiring experienced banking personnel.
- **Grow organically and through opportunistic bank or branch acquisitions.** We expect to consider both organic growth as well as acquisition opportunities that we believe would enhance the value of our franchise and yield potential financial benefits for our stockholders. Although we believe opportunities exist to increase our market share in our historical markets, we will explore expanding into nearby markets. We will consider expanding our branch network and adding loan production offices. The capital we are raising in the offering will also provide us the opportunity to acquire smaller institutions located in our market area and nearby markets, and will help fund improvements in our operating facilities, credit reporting and customer delivery services in order to enhance our competitiveness.

Anticipated Increase in Noninterest Expense

Following the completion of the reorganization and stock offering, our noninterest expense is expected to increase because of the increased costs associated with operating as a public company, and the increased compensation expenses associated with the purchase of shares of common stock by our employee stock ownership plan, our charitable foundation, and the possible implementation of one or more stock-based benefit plans, if approved by our stockholders. For further information, see “Summary—Our Officers, Directors and Employees Will Receive Additional Benefits and Compensation After the Reorganization and Offering;” “Risk Factors—Risks Related to the Offering—Our stock-based benefit plans will increase our costs, which will reduce our income;” and “Management—Benefits to be Considered Following Completion of the Stock Offering.” See “Risks Factors—Risks Related to Our Business.”

Summary of Significant Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be significant accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

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On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an “emerging growth company” we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represent our significant accounting policies:

Loans Receivable. Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at current unpaid principal balances, net of the allowance for loan losses and including net deferred loan origination fees and costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

A loan is moved to nonaccrual status in accordance with the Bank’s policy, typically after 90 days of non-payment. The accrual of interest on mortgage and business loans is generally discontinued at the time the loan becomes 90 days past due unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past-due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off if collection of principal or interest is considered doubtful. All nonaccrual loans are considered impaired loans.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash-basis or recorded against principal balances only, until qualifying for return to accrual. Cash-basis interest recognition is only applied on nonaccrual loans with a sufficient collateral margin to ensure no doubt with respect to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and remain current for a period of time (typically six months) and future payments are reasonably assured.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance, or portion thereof, is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, 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 when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (“TDR”) and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are measured for impairment using the fair value of the collateral, present value of cash flows, or the observable market price of the note. Impairment measurement for all collateral dependent loans, excluding accruing TDR’s is based on the fair value of collateral, less costs to sell, if necessary. A loan is considered collateral dependent if repayment of the loan is expected to be provided solely by the sale or the operation of the underlying collateral.

When the Bank modifies a loan in a TDR, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is

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determined by portfolio segment and is currently based on our actual loss history experienced over the most recent five years. This actual loss experience 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.

Management believes that the allowance for loan losses is appropriate at December 31, 2016. The allowance for loan losses is reviewed by the board of directors on a quarterly basis in compliance with regulatory requirements. In addition, various regulatory agencies and audit and accounting firms periodically review the allowance for loan losses. As a result of these reviews, we may be required to make additions to the allowance for loan losses based on their judgements of collectability based on information available to them at the time of their review.

On June 16, 2016 the Financial Accounting Standards Board (FASB) issued the current expected credit losses (“CECL”) standard. The new standard will have a pervasive impact on us. In response to the new model, we have reassessed our risk management policies and procedures in order for us to successfully implement CECL. The effective date for the new standard is January 1, 2020. Once adopted, we will have to estimate the allowance for loan losses on expected losses rather than incurred losses.

Securities. Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each statement of financial condition date.

Debt securities that management has the positive intent and ability to hold to maturity, if any, are classified as “held to maturity” and recorded at amortized cost. Trading securities, if any, are carried at fair value, with unrealized gains and losses recognized in earnings. Securities not classified as held to maturity or trading, are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of taxes. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the consolidated statement of income and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the discounted present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. The sale of a held-to-maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Income Taxes. The Bank recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

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At December 31, 2016 and 2015, there are no liabilities recorded related to uncertain tax positions. The Bank is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2013.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the consolidated statements of income.

Comparison of Financial Condition at December 31, 2016 and 2015

Total assets increased \$41.8 million, or 5.9%, to \$745.0 million at December 31, 2016 from \$703.2 million at December 31, 2015. The increase was due to an increase in loans, partially offset by a decrease in available-for-sale securities, as discussed in more detail below.

Available-for-sale securities, consisting primarily of U.S. Government agency sponsored securities, as well as mortgage-backed securities and, to a lesser extent, certificates of deposit decreased \$29.3 million, or 35.7%, to \$52.7 million at December 31, 2016 from \$82.0 million at December 31, 2015. The decrease resulted primarily from maturities and in a decrease of the U.S. Government and Federal Agencies portfolio which decreased by \$29.6 million, or 41.6%, to \$41.6 million, at December 31, 2016 from \$71.2 million at December 31, 2015. These proceeds were used, along with the increase in deposits, to support the loan growth in 2016.

We had \$2.1 million of loans held for sale at December 31, 2016 compared to \$3.3 million of loans held for sale at December 31, 2015.

Net loans receivable (which excludes \$2.1 million of loans held for sale) increased \$74.5 million, or 13.1%, to \$642.1 million at December 31, 2016 from \$567.7 million at December 31, 2015, reflecting increases in all loan categories. One- to four-family residential loans increased \$15.7 million to \$325.0 million at December 31, 2016 from \$309.3 million at December 31, 2015. Multifamily residences, non-residential properties and construction and land loans increased \$35.4 million, \$15.0 million and \$7.5 million, respectively, at December 31, 2016 compared to December 31, 2015. These represented increases of 28.8%, 14.1% and 32.6%, respectively. Business and consumer loans also increased by \$1.4 million and \$55,000, or 9.5% and 7.0%, respectively, at December 31, 2016 compared to December 31, 2015. This growth reflects our strategy to grow the portfolio with adjustable-rate loans to mitigate interest rate risk and increase our efficiency of operations.

Total deposits increased \$43.6 million, or 7.3%, to \$643.1 million at December 31, 2016 from \$599.5 million at December 31, 2015. The increase was primarily due to increases in demand accounts of \$20.2 million, or 34.4%, to \$78.8 million at December 31, 2016 from \$58.6 million at December 31, 2015 and money market accounts of \$16.6 million, or 63.5%, to \$42.8 million at December 31, 2016 from \$26.2 million at December 31, 2015. The increase in demand accounts was primarily due to the increase in the balance of commercial checking accounts by \$15.8 million.

We had outstanding borrowings at December 31, 2016 and 2015 of \$3.0 million and \$8.0 million, respectively. These borrowings are in the form of advances from the Federal Home Loan Bank of New York. We have historically placed limited reliance on borrowings to fund our operations. However, we may utilize advances from the Federal Home Loan Bank of New York as a supplement to the supply of investable funds.

Total capital increased \$1.9 million, or 2.1%, to \$93.0 million at December 31, 2016 from \$91.1 million at December 31, 2015. The increase was substantially due to net income of \$1.4 million for the year ended December 31, 2016. Capital was also positively affected by decreases in unrealized losses on available-for-sale securities, net of taxes, of \$204,000 and defined benefit pension plan liabilities, net of tax, of \$301,000 during the year ended December 31, 2016.

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Average Balance Sheets

The following tables set forth average balance sheets, average yields and costs, and certain other information at and for the years indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are monthly average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense. Loan balances exclude loans held for sale.

	At December 31, 2016			For the Years Ended December 31, 2015			2014			
	Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
(Dollars in thousands)										
Interest-earning assets:										
Loans	5.23%	\$ 605,878	32,660	5.39%	\$ 569,032	32,100	5.64%	\$ 558,761	33,867	6.06%
Available-for-sale securities	1.45%	70,142	1,012	1.44%	96,777	1,429	1.48%	102,715	1,567	1.53%
Other (1)	0.42%	15,365	69	0.45%	9,465	61	0.64%	11,788	61	0.52%
Total interest-earning assets		691,385	33,741	4.88%	675,274	33,590	4.97%	673,264	35,495	5.27%
Non-interest-earning assets		33,759			38,769			46,058		
Total assets		<u>\$ 725,144</u>			<u>\$ 714,043</u>			<u>\$ 719,322</u>		
Interest-bearing liabilities:										
Savings accounts	0.10%	126,573	327	0.26%	122,538	240	0.20%	127,200	248	0.19%
Interest-bearing demand	0.28%	54,493	96	0.18%	46,692	77	0.16%	44,546	60	0.13%
Certificates of deposit	1.48%	371,313	5,502	1.48%	366,958	5,268	1.44%	379,860	5,376	1.42%
Total deposits		552,379	5,925	1.07%	536,188	5,585	1.04%	551,606	5,684	1.03%
Advance payments by borrowers	1.25%	4,770	4	0.09%	3,815	4	0.10%	3,740	3	0.08%
Borrowings	0.78%	1,145	7	0.61%	15,050	61	0.41%	9,129	43	0.47%
Total interest-bearing liabilities		558,294	5,936	1.06%	555,053	5,650	1.02%	564,475	5,730	1.02%
Non-interest-bearing liabilities:										
Non-interest-bearing demand		70,407	—		61,524	—		60,318	—	
Other non-interest bearing liabilities		3,519	—		6,195	—		4,024	—	
Total non-interest-bearing liabilities		73,926	—		67,719	—		64,342	—	
Total liabilities		632,220	5,936		622,773	5,650		628,817	5,730	
Total equity		92,924			91,270			90,505		
Total liabilities and total equity		<u>\$ 725,144</u>		1.06%	<u>\$ 714,043</u>		1.02%	<u>\$ 719,322</u>		1.02%
Net interest income			<u>\$27,805</u>			<u>\$27,940</u>			<u>\$29,765</u>	
Net interest rate spread(2)				3.82%			3.96%			4.26%
Net interest-earning assets (3)		<u>\$ 133,091</u>			<u>\$ 120,221</u>			<u>\$ 108,789</u>		
Net interest margin (4)				4.02%			4.14%			4.42%
Average interest-earning assets to interest-bearing liabilities				123.84%			121.66%			119.27%

- (1) Includes FHLB demand accounts and FHLB stock dividends.
- (2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
- (3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
- (4) Net interest margin represents net interest income divided by average total interest-earning assets.

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Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	2016 vs. 2015			2015 vs. 2014		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate (In thousands)		Volume	Rate (In thousands)	
Interest-earning assets:						
Loans	\$ 2,029	\$ (1,469)	\$ 560	\$ 613	\$ (2,380)	\$ (1,767)
Securities	(386)	(31)	(417)	(89)	(48)	(137)
Other	(21)	29	8	(2)	1	(1)
Total interest-earning assets	1,622	(1,471)	151	522	(2,427)	(1,905)
Interest-bearing liabilities:						
Savings	8	79	87	(9)	2	(7)
Interest-bearing demand	14	4	18	3	14	17
Certificates of deposit	63	171	234	(184)	76	(108)
Total deposits	85	254	339	(190)	92	(98)
Advance payment by borrowers	1	(1)	—	—	—	—
Borrowings	(77)	24	(53)	24	(6)	18
Total interest-bearing liabilities	9	277	286	(166)	86	(80)
Change in net interest income	\$ 1,613	\$ (1,748)	\$ (135)	\$ 688	\$ (2,513)	\$ (1,825)

Comparison of Operating Results for the Years Ended December 31, 2016 and 2015

General. Net income decreased \$1.1 million, or 43.4%, to \$1.4 million for the year ended December 31, 2016, compared to \$2.5 million for the year ended December 31, 2015. The decrease was due primarily to an increase in non-interest expenses as described below.

Interest Income. Interest and dividend income increased \$151,000, or 0.3%, to \$33.7 million for the year ended December 31, 2016 from \$33.6 million for the year ended December 31, 2015. The increase was due primarily to a \$560,000, or 1.7%, increase in interest income on loans, which is our primary source of interest income. Our average balance of loans increased \$36.9 million, or 6.5%, to \$605.9 million for the year ended December 31, 2016 from \$569.0 million for the year ended December 31, 2015. The increase in average balance resulted primarily from increases in the one-to-four family and multifamily residential mortgage loan portfolios. Our average yield on loans decreased 25 basis points to 5.39% for the year ended December 31, 2016 from 5.64% for the year ended December 31, 2015, as higher-yielding loans have been repaid or refinanced and replaced with lower-yielding loans in the current interest rate environment.

Interest income on interest and dividends on investment securities and FHLB stock decreased \$409,000, or 26.7%, to \$1.1 million for the year ended December 31, 2016 from \$1.5 million for the year ended December 31, 2015. The average rate we earned on investment securities and FHLB stock decreased 14 basis points to 1.26% for the year ended December 31, 2016 from 1.40% for the year ended December 31, 2015, due to \$52.9 million of securities, with an average yield of 1.44%, being called and \$25.9 million of securities, with an average yield of 1.21%, being purchased. Our average balance of investment securities and FHLB stock decreased \$20.7 million, or 19.4%, to \$85.5 million for the year ended December 31, 2016 from \$106.2 million for the year ended December 31, 2015.

Interest Expense. Interest expense increased \$286,000 or 5.1%, to \$5.9 million for the year ended December 31, 2016 from \$5.7 million for the year ended December 31, 2015. The increase was the result of an increase in interest expense on certificates of deposit and other deposits, offset by a decrease in interest expense on borrowings. Specifically, interest expense on certificates of deposit increased \$234,000, or 4.4%, to \$5.5 million for the year ended December 31, 2016 from \$5.3 million for the year ended December 31, 2015. This increase resulted from increases in both the average balance of certificates of deposit in excess of \$100,000 and the average rate we paid on certificates of deposit. The average balance of certificates of deposit increased \$4.3 million, or 1.2%, to \$371.3 million for the year ended December 31, 2016 from \$367.0 million for the year ended December 31, 2015, and the average rate we paid on certificates of deposit increased 4 basis points to 1.48% for the year ended December 31, 2016 from 1.44% for the year ended December 31, 2015.

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Interest expense on other deposits and borrowings increased \$52,000 to \$434,000 for the year ended December 31, 2016 from \$382,000 for the year ended December 31, 2015. This increase resulted from an increase in the average rate we paid on other deposits and borrowings. The average balance of other deposits and borrowings decreased \$1.1 million, or 0.6%, to \$187.0 million for the year ended December 31, 2016 from \$188.1 million for the year ended December 31, 2015, and the average rate we paid on other deposits and borrowings increased 3 basis points to 0.23% for the year ended December 31, 2016 from 0.20% for the year ended December 31, 2015, reflecting higher market interest rates.

Net Interest Income. Net interest income decreased \$135,000, or 0.5%, to \$27.8 million for the year ended December 31, 2016 from \$27.9 million for the year ended December 31, 2015, primarily as a result of higher cost of funds and lower market yields on earning assets. Our average net interest-earning assets increased by \$16.1 million, or 2.4%, to \$691.4 million for the year ended December 31, 2016 from \$675.3 million for the year ended December 31, 2015, due primarily to our loan growth, described above. Our net interest rate spread decreased by 14 basis points to 3.82% for the year ended December 31, 2016 from 3.96% for the year ended December 31, 2015, and our net interest margin decreased by 12 basis points to 4.02% for the year ended December 31, 2016 from 4.14% for the year ended December 31, 2015, reflecting primarily a higher cost of funds and lower market yields on earning assets.

An increase in interest rates will present us with a challenge in managing our interest rate risk. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which can result in interest expense increasing more rapidly than increases in interest income as interest rates increase. Therefore, increases in interest rates may adversely affect our net interest income and net economic value, which in turn would likely have an adverse effect on our results of operations. As described in “—Business Strategy”, “—Management of Market Risk,” we expect that our net interest income and our net economic value would decrease as a result of an instantaneous increase in interest rates. To help manage interest rate risk, we promote core deposit products and we are diversifying our loan portfolio by introducing new lending programs. See “—Management of Market Risk” and “Risk Factors—Risks Related to Our Business— Future changes in interest rates could reduce our profits and asset values.”

Provision for Loan Losses. Provisions for loan losses are charged to operations to establish an allowance for loan losses at a level necessary to absorb known and inherent losses that are both probable and reasonably estimable at the date of the financial statements. In evaluating the level of the allowance for loan losses, management analyzes several qualitative loan portfolio risk factors including, but not limited to, management’s ongoing review and grading of loans, facts and issues related to specific loans, historical loan loss and delinquency experience, trends in past due and non-accrual loans, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses. See “—Summary of Significant Accounting Policies” and “Business of Ponce De Leon Federal Bank— Allowance for Loan Losses” for additional information.

After an evaluation of these factors, we decreased our provision for loan losses for the year ended December 31, 2016 to a credit of \$57,000 and increased our provision for loan losses for the year ended December 31, 2015 by \$353,000. Our allowance for loan losses was \$10.2 million at December 31, 2016 compared to \$9.5 million at December 31, 2015. The allowance for loan losses to total loans decreased to 1.57% at December 31, 2016 from 1.64% at December 31, 2015, and the allowance for loan losses to non-performing loans increased to 132.2% at December 31, 2016 from 99.8% at December 31, 2015. We decreased the portion of the allowance for loan losses attributable to one- to- four family residential real estate loans due to a continued decrease in loss history related to this portion of the portfolio, as well as recoveries related to this portion of the portfolio exceeding charge-offs.

To the best of our knowledge, we have recorded all loan losses that are both probable and reasonable to estimate at December 31, 2016. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for loan losses. In addition, the Office of the Comptroller of the Currency, as an integral part of its examination process, will periodically review our allowance for loan losses and as a result of such reviews, we may have to adjust our allowance for loan losses. However, regulatory agencies are not directly involved in establishing the allowance for loan losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

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Non-interest Income. Non-interest income information is as follows.

	Years Ended December 31,		Change	
	2016	2015	Amount	Percent
	(Dollars in thousands)			
Service charges and fees	\$ 938	\$1,073	\$ (135)	(12.6%)
Brokerage commissions	515	421	94	22.3%
Late and prepayment charges	302	548	(246)	(44.9%)
Other	676	420	256	61.0%
Total noninterest income	<u>\$2,431</u>	<u>\$2,462</u>	<u>\$ (31)</u>	(1.3%)

The decrease in non-interest income was primary due to decreases of \$135,000 and \$246,000 in service charges and fees and late and prepayment charges, respectively, for the year ended December 31, 2016.

Non-interest Expenses. Non-interest expenses information is as follows.

	Years Ended December 31,		Change	
	2016	2015	Amount	Percent
	(Dollars in thousands)			
Compensation and benefits	\$14,979	\$13,463	\$1,516	11.3%
Occupancy	5,651	5,754	(103)	(1.8%)
Data processing	1,617	1,299	318	24.5%
Direct loan expense	860	725	135	18.6%
Insurance and surety bond premiums	464	699	(235)	(33.6%)
Office supplies, telephone and postage	1,071	997	74	7.4%
Federal deposit insurance premiums	538	899	(361)	(40.2%)
Other operating expenses	2,683	2,380	303	12.7%
Total noninterest expense	<u>\$27,863</u>	<u>\$26,216</u>	<u>\$1,647</u>	6.3%

Salaries and employee benefits expense increased by \$1.5 million mainly due to our investment in our employee base, including the senior management team and our sales and relationship management personnel, to help support our continued growth strategy. Other operating expense increased by \$303,000, due to marketing outlays to generate organic growth and investments in new products and services, as well as a \$128,000 increase in the provision for unfunded commitments and contingencies. Data processing expenses also increased by \$318,000 mainly due to the level of new products and services that were introduced during 2016 combined with an increase in volume. These increases were partially offset by decreases of \$361,000 in FDIC insurance assessments and \$235,000 in insurance and surety bond expenses for the year ended December 31, 2016.

Income Tax Expense. We incurred income tax expense of \$1.0 million and \$1.3 million for the years ended December 31, 2016 and 2015, respectively, resulting in effective rates of 41.4% and 34.3%, respectively. The increase in the effective tax rate is a result of the New York State and New York City comprehensive tax reform enacted in 2015. As a result, we were obligated to calculate our tax liability based upon average equity capital or a minimum fixed fee. At December 31, 2016 and 2015, net deferred tax assets amounted to \$3.4 million and \$3.8 million, respectively. The decrease in tax expense resulted from a \$1.4 million, or 36.6%, decrease in pre-tax income to \$2.4 million for the year ended December 31, 2016 from \$3.8 million for the year ended December 31, 2015.

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset/Liability Management Committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and

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performance objectives, and for managing this risk consistent with the policy and guidelines approved by our board of directors. We currently utilize a third-party modeling solution that is prepared on a quarterly basis, to evaluate our sensitivity to changing interest rates, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

We have sought to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. We have implemented the following strategies to manage our interest rate risk:

- reducing our reliance on higher costing certificates of deposit;
- growing our volume of transaction deposit accounts; and
- continue to offer only adjustable rate loans on the multifamily and nonresidential mortgages with adjustments that are based on a spread ranging between 2.75% to 3.00% over the five year Federal Home Loan Bank of New York rate.

By following these strategies, we believe that we will be better positioned to react to increases in market interest rates. In addition, we hired an experienced Senior Vice President of Retail and Commercial Banking who will be responsible for the oversight of the Sales and Marketing Department, Branch Operations Control Department, Regional Commercial Relationship Officers and Retail Banking.

We do not engage in hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

Net Interest Income. We analyze our sensitivity to changes in interest rates through a net interest income model. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a 12-month period. We then calculate what the net interest income would be for the same period under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by 100 basis point increments, with changes in interest rates representing immediate and permanent shifts in the yield curve. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the “Change in Interest Rates” column below.

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The table below sets forth, as of December 31, 2016, the calculation of the estimated changes in our net interest income that would result from the designated immediate changes in the United States Treasury yield curve.

Rate Shift (1)	Net Interest Income		
	Year 1 Forecast		
	(Dollars in thousands)		
+400	\$	24,717	-10.69%
+300		25,584	-7.56%
+200		26,403	-4.60%
+100		27,122	-2.00%
Level		27,677	—
-100		27,540	-0.49%

(1) Assumes an immediate uniform change in interest rates at all maturities.

The table above indicates that at December 31, 2016, in the event of an instantaneous 200 basis point increase in interest rates, we would experience a 4.60% decrease in net interest income, and in the event of an instantaneous 100 basis point decrease in interest rates, we would experience a 0.49% decrease in net interest income.

Net Economic Value. We also compute amounts by which the net present value of our assets and liabilities (net economic value or “NEV”) would change in the event of a range of assumed changes in market interest rates. This model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by 100 basis point increments, with changes in interest rates representing immediate and permanent shifts in the yield curve.

The table below sets forth, as of December 31, 2016, the calculation of the estimated changes in our NEV that would result from the designated immediate changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) (1)	Estimated NPV (2)	Estimated Increase (Decrease) in NPV		NPV as a Percentage of Present Value of Assets (3)	
		Amount	Percent	NPV Ratio (4)	Increase (Decrease) (basis points)
+400	\$ 96,372	\$ (29,739)	-23.58%	13.70%	(259)
+300	105,305	(20,805)	-16.50%	14.59%	(171)
+200	113,610	(12,501)	-9.91%	15.35%	(94)
+100	120,720	(5,390)	-4.27%	15.94%	(36)
	126,111	—	0.00%	16.29%	—
-100	131,301	5,190	4.12%	16.65%	36

(1) Assumes an immediate uniform change in interest rates at all maturities.

(2) NEV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(4) NEV Ratio represents NEV divided by the present value of assets.

The table above indicates that at December 31, 2016, in the event of an instantaneous 200 basis point increase in interest rates, we would experience a 9.91% decrease in net economic value, and in the event of an instantaneous 100 basis point decrease in interest rates, we would experience a 4.12% increase in net economic value.

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GAP Analysis. In addition, we analyze our interest rate sensitivity by monitoring our interest rate sensitivity “gap.” Our interest rate sensitivity gap is the difference between the amount of our interest-earning assets maturing or repricing within a specific time period and the amount of our interest bearing-liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets maturing or repricing during a period exceeds the amount of interest rate sensitive liabilities maturing or repricing during the same period, and a gap is considered negative when the amount of interest rate sensitive liabilities maturing or repricing during a period exceeds the amount of interest rate sensitive assets maturing or repricing during the same period.

The following table sets forth our interest-earning assets and our interest-bearing liabilities at December 31, 2016, which are anticipated to reprice or mature in each of the future time periods shown based upon certain assumptions. The amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at December 31, 2016, on the basis of contractual maturities, anticipated prepayments and scheduled rate adjustments. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and as a result of contractual rate adjustments on adjustable-rate loans.

	Time to Repricing						Total Earning Assets & Costing Liabilities	Non Earning Assets & Non Costing Liabilities	Total
	Zero to 90 Days	Zero to 180 Days	Zero Days to One Year	Zero Days to Two Years	Zero Days to Five Years	Five Years Plus			
(Dollars in thousands)									
Assets:									
Interest-bearing deposits in banks	\$ 6,920	\$ 6,920	\$ 6,920	\$ 6,920	\$ 6,920	\$ 6,920	\$ 6,920	\$ 4,796	\$ 11,716
Securities	596	3,268	9,368	40,612	52,243	52,942	52,942	(252)	52,690
Net loans (includes LHFS)	46,325	86,334	163,005	283,027	579,173	645,082	645,082	(763)	644,319
FHLB Stock	—	—	—	—	964	964	964	—	964
Other assets	—	—	—	—	7	7	7	35,287	35,294
Total	\$ 53,841	\$ 96,522	\$ 179,293	\$ 330,559	\$ 639,307	\$ 705,915	\$ 705,915	\$ 39,068	\$ 744,983
Liabilities:									
Non-maturity deposits	\$ 197,285	\$ 197,285	\$ 197,285	\$ 197,285	\$ 197,285	\$ 197,285	\$ 197,285	\$ 74,529	\$ 271,814
Certificates of deposit	52,597	98,133	166,781	236,755	366,562	368,721	368,721	—	368,721
Other liabilities	3,000	3,000	3,000	3,000	3,000	3,000	3,000	8,456	11,456
Capital	—	—	—	—	—	—	—	92,992	92,992
Total	\$ 252,882	\$ 298,418	\$ 367,066	\$ 437,040	\$ 566,847	\$ 569,006	\$ 569,006	\$ 175,977	\$ 744,983
Asset/liability gap	\$(199,041)	\$(201,896)	\$(187,773)	\$(106,481)	\$ 72,460	\$136,909	\$136,909		
Gap/assets ratio	21.29%	32.34%	48.84%	75.64%	112.78%	124.06%	124.06%		

At December 31, 2016, our asset/liability gap from zero days to one year was (\$187.8 million), resulting in a gap/assets ratio of 48.84%.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net interest income and net economic value tables presented assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net interest income and NEV tables provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on net interest income and NEV and will differ from actual results. Furthermore, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Additionally, certain assets, such as adjustable-rate loans, have features that restrict changes in interest rates both on a short-term basis and over the life of the asset. In the event of changes in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the gap table.

Interest rate risk calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of our loans, deposits and borrowings.

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, proceeds from the sale of loans, and proceeds from maturities of securities. We also have the ability to borrow from the Federal Home Loan Bank of New York. At December 31, 2016, we had \$3.0 million of outstanding advances from the Federal Home Loan Bank of New York,

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on an overnight line of credit basis and also had a guarantee from the Federal Home Loan Bank of New York through a standby letter of credit of \$3.6 million. As of December 31, 2016, we had eligible collateral of approximately \$164.8 million in mortgage loans available to secure advances from the Federal Home Loan Bank of New York. At December 31, 2016, we had the ability to borrow up to \$25.0 million under repurchase agreements with three brokers. We had no securities sold under repurchase agreements with brokers as of December 31, 2016.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and interest-bearing deposits in banks. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was \$4.3 million and \$5.2 million for the years ended December 31, 2016 and 2015, respectively. Net cash (used in) investing activities, which consists primarily of disbursements for loan originations and the purchases of securities, offset by principal collections on loans, proceeds from maturing securities and pay downs on mortgage-backed securities, was \$(43.9) million and \$(6.2) million for the years ended December 31, 2016 and 2015, respectively. Net cash provided by (used in) financing activities, consisting of activities in deposit accounts, was \$38.6 million and \$(2.2) million for the years ended December 31, 2016 and 2015, respectively.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

At December 31, 2016, we exceeded all of our regulatory capital requirements, and we were categorized as well capitalized at December 31, 2016 and 2015. Management is not aware of any conditions or events since the most recent notification that would change our category. See “Historical and Pro Forma Regulatory Capital Compliance.”

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At December 31, 2016, we had outstanding commitments to originate loans of \$63.7 million. We anticipate that we will have sufficient funds available to meet our current lending commitments. Certificates of deposit that are scheduled to mature in less than one year from December 31, 2016 totaled \$168.9 million. Management expects that a substantial portion of the maturing time deposits will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize Federal Home Loan Bank advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Impact of Inflation and Changing Price

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles in the United States of America which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution’s performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

BUSINESS OF PDL COMMUNITY BANCORP

We have not engaged in any business to date. Upon completion of the reorganization and offering, we will own all of the issued and outstanding common stock of Ponce Bank. We intend to retain up to 50% of the net proceeds from the offering. A portion of the net proceeds we retain will be used to make a loan to fund the purchase of shares of our common stock by the Ponce Bank employee stock ownership plan. We intend to invest our capital as discussed in “How We Intend to Use the Proceeds from the Offering.”

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In the future, PDL Community Bancorp, as the holding company of Ponce Bank, will be authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the acquisition of banking and financial services companies. We have no plans for any mergers or acquisitions, or other diversification of the activities of PDL Community Bancorp at the present time.

Our cash flow will depend on earnings from the investment of the net proceeds we retain, and any dividends received from Ponce Bank. Initially, PDL Community Bancorp will neither own nor lease any property, but will instead use the premises, equipment and furniture of Ponce Bank. At the present time, we intend to employ only persons who are officers of Ponce Bank to serve as officers of PDL Community Bancorp. We will also use the support staff of Ponce Bank from time to time. These persons will not be separately compensated by PDL Community Bancorp. PDL Community Bancorp may hire additional employees, as appropriate, to the extent it expands its business in the future.

BUSINESS OF PONCE BANK MUTUAL HOLDING COMPANY

Ponce De Leon Federal Bank will become Ponce Bank Mutual Holding Company, a federal mutual holding company, and will at all times own a majority of the outstanding shares of PDL Community Bancorp's common stock. Persons who had membership rights in Ponce De Leon Federal Bank as of the date of the reorganization will continue to have membership rights; however, these membership rights will be in Ponce Bank Mutual Holding Company.

Ponce Bank Mutual Holding Company's principal assets will be the common stock of PDL Community Bancorp it receives in the reorganization and offering and \$200,000 cash in initial capitalization. Presently, it is expected that the only business activity of Ponce Bank Mutual Holding Company will be to own a majority of PDL Community Bancorp's common stock. Ponce Bank Mutual Holding Company will be authorized, however, to engage in any other business activities that are permissible for mutual holding companies under federal law, including investing in loans and securities.

Ponce Bank Mutual Holding Company will neither own nor lease any property, but will instead use the premises, equipment and furniture of Ponce Bank. It is anticipated that Ponce Bank Mutual Holding Company will employ only persons who are officers of Ponce Bank to serve as officers of Ponce Bank Mutual Holding Company. Those persons will not be separately compensated by Ponce Bank Mutual Holding Company. The initial directors of Ponce Bank Mutual Holding Company will consist of the current directors of Ponce De Leon Federal Bank.

BUSINESS OF PONCE DE LEON FEDERAL BANK

General

Ponce De Leon Federal Bank is a federally chartered savings association headquartered in Bronx, New York. Ponce De Leon Federal Bank was originally chartered in 1960 as a federally-chartered mutual savings and loan association under the name Ponce De Leon Federal Savings and Loan Association. In 1985, we changed our name to "Ponce De Leon Federal Savings Bank." In 1997, we changed our name to "Ponce De Leon Federal Bank." The Bank is designated a Minority Depository Institution under applicable regulations.

We conduct our business from our administrative center and 13 banking offices. Our banking offices are located in Bronx (5 branches), Manhattan (2 branches), Queens (3 branches) and Brooklyn (3 branches), New York, and one branch in Union City, New Jersey.

We maintain a local community banking emphasis, with a primary strategic objective of meeting the borrowing and savings needs of our local customer base. Historically, as a traditional thrift institution, our lending activities were concentrated in origination of one-to-four family permanent mortgage loans and such loans continue to comprise the largest concentration of the loan portfolio. In recent years, we embarked on a new strategic direction designed to build a full service community banking franchise dedicated to meeting the banking needs of business and retail customers in the communities that we serve. In connection with the implementation of a full service community banking strategy, we invested in infrastructure and personnel to manage and facilitate our growth strategy. Most notably, in support of implementation of a diversified lending strategy, we have been building a team of commercial lenders experienced in developing full service commercial banking relationships in the local market. Our objective is to fund asset growth primarily through deposit growth, emphasizing growth of lower cost core deposits. Core deposit growth is expected to be in part facilitated by growth of commercial lending relationships, pursuant to which we are seeking to establish a full service banking relationship with our commercial loan customers through offering a full range of commercial loan products that can be packaged with lower cost commercial deposit products.

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We have earned a reputation for serving the needs of our communities by emphasizing the importance of personal banking via our loan and deposit product offerings and by promoting local economic development. We are customer-driven and are committed to providing quality and reliable service to our existing customer base as well as new customers in the communities we serve. Our focus on minority populations reflects our founding roots.

Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations, in mortgage loans, consisting of one-to-four family residential, multifamily residential, nonresidential property and construction and land, and, to a lesser extent, business and consumer loans. Subject to market conditions, we expect to increase our focus on multifamily and nonresidential loans in an effort to grow our overall loan portfolio, increase the overall yield earned on our loans and assist in managing interest rate risk. We also invest in securities, which have historically consisted primarily of securities issued by the U.S. Government and federal agencies and mortgage-backed securities issued by U.S. government sponsored enterprises. We offer a variety of deposit accounts, including checking accounts, savings accounts and certificate of deposit accounts. We have made limited use of borrowings in recent years to fund our operations.

Our executive office is located at 2244 Westchester Avenue, Bronx, New York 10462, and our telephone number at this address is (718) 931-9000. Our website address is www.poncebank.net. Information on our website is not and should not be considered a part of this prospectus.

Market Area

We are headquartered in Bronx, New York, with our primary market in the boroughs of New York City (excluding Staten Island) and Hudson County, New Jersey. The size and complex nature of the geographic footprint makes for diverse demographics that continue to undergo a significant change, in terms of economic, racial, ethnic and age parameters, all with potentially substantial long-term institutional ramifications.

Our primary deposit base includes a large and stable base of locally employed blue collar workers with low-to-medium income, middle-aged, and with limited investment funds. Within the base of locally employed blue-collar workers there is a significant, and growing, portion of recently immigrated, younger, lower-skilled laborers. The influx of immigrant lower-skilled workers, however, has been hampered by the increases in rental rates in the rental housing market within the New York city metropolitan area. Nevertheless, we still adhere to our purpose since inception, “to promote community oriented banking and to serve a necessary and desirable function for the Hispanic community and all consumers within the areas of business.” We have provided the funding for economic development in much of the Hispanic community within our market area and we primarily serve low and moderate income areas. We are seeking to increase this effect through our expected application to be designated a Community Development Financial Institution.

Another significant customer segment consists of middle aged and older white collar, high-income individuals, many of which are self-employed real estate investors and developers. They constitute a large percentage of the borrowing base of the Bank and, increasingly, are becoming the source of a significant percentage of commercial deposits.

The Bank historically has been funded through local community deposits. Today, the Bank continues to rely primarily on community deposits to fund investments and loans. However, the mix of community deposits now includes consumer and commercial deposits but with a strong reliance on time deposits when compared to our peers, resulting in a historically higher-than-peer cost of funds.

Until we expanded our branch network, our Bronx-based image and emphasis on personal services to minorities allowed us to maintain adequate market standing in consumer deposits and mortgage loans. The Bank’s branch expansion and the gentrification of substantial parts of New York City altered our competitive landscape. The branch expansion resulted in primarily one-time increases in our deposit base. Subsequent competitive pressures, coupled with the Bank’s desire to control its cost of funds, have resulted in deposit growth after 2011 that just matches overall market growth. Since then, assets and deposits have remained relatively stable overall but have shown significant internal shifting between products as the Bank and its customers continue to adjust to current economic realities. The internal shifting also reflects the Bank’s sale of distressed assets and the partial use of proceeds to fund desirable outflows of higher costing time deposits.

Competition

The Bank faces significant competition within the Bank’s market both in making loans and attracting deposits. There is high concentration of financial institutions in the Bank’s market area, including national, regional and other locally operated commercial banks, savings banks and credit unions. Several “mega” banks exist in the market, such as JPMorgan Chase, Citibank and Capital One, many of which are making a new push for retail deposits. A number of our competitors offer products and services that the Bank does not currently offer, such as trust services, private banking, insurance services and asset management. Additionally, the Bank faces an increasing level of competition from non-core financial service providers that do not necessarily maintain a physical presence in the Bank’s market area, such as Quicken Loans, Freedom Mortgage and many internet financial service providers. The litany of competitors facing the Bank is extensive.

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Deposit market share in the New York area can be difficult to grasp, as some “mega” banks will include large scale deposits from around the world as held at the headquarters. However, in Bronx County, New York, where the Bank maintains five branches, we hold 1.95% (June 30, 2016) of the market’s deposits. This represents the Bank’s largest market share in a county level area. Generally speaking, the Bank has been able to grow deposits at about the same rates as our respective markets of operation. Between June 30, 2015 and June 30, 2016, the Queens County market increased 13%, and the Bank grew deposits at its branches in tandem with that rate. The Bank will continue to work to improve its market position by expanding its brand within its current market, and building the capability to offer more mortgage products that it can originate and hold or sell into the secondary market.

Lending Activities

General. Our principal lending activity is originating one-to-four family residential real estate, including investor owned and owner occupied, multifamily, nonresidential and to a lesser extent construction loans. To a much lesser extent, we also originate commercial and industrial (“C&I”) business loans and consumer loans. Subject to market conditions and our asset-liability analysis, we expect to increase our emphasis on multifamily and nonresidential loans in an effort to grow our overall loan portfolio and increase the overall yield earned on our loans.

Lending activities are conducted primarily by our salaried loan personnel operating at our main and branch office locations and by our loan officers. All loan originated by us are underwritten pursuant to our policies and procedures. We currently intend that substantially all of our loan originations will be with adjustable interest rates. Our ability to originate adjustable rate loans is dependent upon customer acceptance of such loans, which may be affected by current and expected future levels of market interest rates. We originate real estate and other loans through our loan officers, marketing efforts, our customer base, walk-in customers and referrals from real estate brokers, builders and attorneys.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated. In addition to the loans included in the table below, at December 31, 2016, we had \$2.1 million of loans held-for-sale and \$21.4 million of loans in process.

	At December 31,									
	2016		2015		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Mortgage loans:										
1-4 family residences	\$325,040	49.88%	\$309,292	53.64%	\$295,948	53.59%	\$307,014	53.74%	\$313,065	52.67%
Investor Owned	227,409	34.90%	203,239	35.25%	190,726	34.54%	195,762	34.27%	207,981	34.99%
Owner-Occupied	97,631	14.98%	106,053	18.39%	105,222	19.05%	111,252	19.47%	105,084	17.68%
Multifamily residences	158,200	24.28%	122,836	21.30%	110,978	20.10%	107,541	18.82%	107,949	18.16%
Nonresidential properties	121,500	18.64%	106,462	18.46%	111,806	20.24%	109,603	19.19%	115,614	19.45%
Construction and land	30,340	4.66%	22,883	3.97%	18,707	3.39%	25,567	4.48%	29,708	5.00%
Total mortgage loans	635,080	97.46%	561,473	97.37%	537,439	97.32%	549,725	96.23%	566,336	95.28%
Nonmortgage loans:										
Business	15,719	2.41%	14,350	2.49%	14,206	2.57%	20,349	3.56%	26,545	4.47%
Consumer	843	0.13%	788	0.14%	614	0.11%	1,210	0.21%	1,537	0.25%
Total nonmortgage loans	16,562	2.54%	15,138	2.63%	14,820	2.68%	21,559	3.77%	28,082	4.72%
	651,642	100.00%	576,611	100.00%	552,259	100.00%	571,284	100.00%	594,418	100.00%
Net deferred loan origination costs	711		535		479		279		244	
Allowance for losses on loans	(10,205)		(9,484)		(9,449)		(9,940)		(10,056)	
Loans, net	\$642,148		\$567,662		\$543,289		\$561,623		\$584,606	

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Loan Products Offered by the Bank. The following table provides a breakdown of the Bank's loan portfolio (excluding loans held-for-sale) by product type and principal balance outstanding as of December 31, 2016:

Loan Type	# of Loans	Principal Balance	% of Portfolio
Mortgage loans:			
<i>1-4 family residences</i>	803	\$ 325,040	49.88%
1-4 Family Investor Owned ("IORR")	508	227,409	34.90%
1-4 Family Owner Occupied	295	97,631	14.98%
<i>Multifamily residences</i>	223	158,200	24.28%
<i>Nonresidential properties</i>	201	121,500	18.65%
<i>Construction and land</i>	20	30,340	4.66%
Construction 1-4 Investor	4	1,699	0.26%
Construction Multifamily	11	21,635	3.32%
Construction Nonresidential	4	6,690	1.03%
Land loan	1	316	0.05%
Nonmortgage loans:			
<i>Business loans</i>	115	15,719	2.41%
C&I lines of credit	93	10,946	1.68%
C&I loans (term)	22	4,773	0.73%
<i>Consumer loans</i>	178	843	0.13%
Unsecured	40	353	0.05%
Passbook	138	490	0.08%
Grand Total	1,540	\$ 651,642	100.00%

One-to-four Family Investor Owned Loans. At \$227.4 million or 34.9% of the Bank's total loan portfolio at December 31, 2016, mortgage loans secured by non-owner occupied one-to-four family residences represent the Bank's second largest lending category. The majority of this portfolio, \$187.5 million or 82.5% are two-to-four family properties, (399 accounts), while the remaining \$39.9 million or 17.5% are single family non-owner occupied investment properties (109 accounts). The three largest loans in this category are \$5.0 million, \$2.8 million and \$2.7 million. In this category, \$95.0 million, or 41.7%, are located in Queens County, \$69.0 million, or 30.4%, in Kings County, \$20.0 million, or 8.9%, in Bronx County, and \$16.4 million, or 7.2%, in New York County. The rest of this category, less than 14.0%, is spread out in other counties and no other concentration exceeded \$10.0 million or 5.0%.

The Bank imposes strict underwriting guidelines in the origination of such loans, including lower maximum loan-to-value ratios of 70% on purchases and 65% on refinances, a required minimum debt service coverage ratio of 1.20x that must be met by either the property on a standalone basis, or by the inclusion of the owner(s) as co-borrower(s). In addition, all such loans currently require that the transaction exhibit a global debt service coverage ratio of no less than 1.0 times. This indicates that the owner has the capacity to support the loan along with all of his personal obligations. On occasion, the Bank has required that the borrower establish a cash reserve to be held at the Bank in order to provide additional security.

One-to-four Family Owner Occupied Loans. Lending in this category totaled \$97.6 million or 15.0% of the Bank's total loan portfolio at December 31, 2016. None of the loans in this category exceeded \$2.0 million in outstanding balances, with the three largest having \$1.8 million, \$1.8 million and \$1.6 million in outstanding balances. There are only 14 loans with an outstanding balance in excess of \$1.0 million, which in total account for less than 20% of this category. Approximately 39.4% of this category is located in Queens County and 11.6% in New York County. None of the other geographical concentrations exceeded 10% of this category.

It is the Bank's policy to underwrite loans secured by one-to-four family owner occupied residential real estate in a manner that ensures strict compliance with Dodd-Frank regulatory requirements. This includes underwriting only mortgages that have a debt-to-income ratio of 43% or less. That is the highest ratio a borrower can have and still get qualified mortgage. A qualified mortgage is presumed to meet the borrower's ability to repay the loan. As part of this effort, the Bank employs software that tests each loan for compliance.

The Bank generally limits loans in this category to a maximum loan-to-value ratio of 80%, based on the lower of the purchase price or appraised value. The maximum loan term is 30 years, self-amortizing. Being that the Bank is a portfolio lender, it presently does not offer a fixed-rate product. The Bank offers mostly 5/1 and 5/5 adjustable rate loans that adjust based on a spread currently ranging between 2.75% to 3.00% over the one or five year Treasury Note. The maximum amount by which the interest rate may increase is limited to 2% for the first two adjustments and 5% for the life of the loan.

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Multifamily and NonResidential Lending. At \$279.7 million, 42.9% of the Bank's total loan portfolio at December 31, 2016, mortgages secured by multifamily and nonresidential properties represent the Bank's largest lending concentration. The nonresidential portfolio accounts for \$121.5 million of the \$279.7 million, of which \$18.3 million is classified as owner user, owner occupied. The overall mix is quite diverse in terms of property types, with the largest concentration being retail and wholesale at \$45.6 million or 37.5% of the portfolio, industrial and warehouse at \$18.7 million or 15.4%, service, doctor, dentist, beauty, etc. at \$15.5 million or 12.8%, offices at \$13.3 million or 10.94%, churches at \$10.1 million or 8.3%, restaurants at \$8.5 million or 7.0% and hotels and motels at \$6.3 million or 5.2%. The rest of the portfolio accounts for other property types, with none exceeding 1% as a portfolio concentration. The three largest loans were \$7.4 million, \$5.7 million and \$5.0 million, with the largest being a multifamily residential building, and the other two nonresidential. From the total of \$279.7 million, 71 loans have balances in excess of \$1.0 million and they account for \$141.6 million, or approximately 50.6% of this category. In terms of geographical concentrations, \$127.4 million, or 45.5%, are located in Queens County, \$43.0 million, or 15.3%, in Bronx County, \$39.3 million or 14.0%, in Kings County, \$20.4 million, or 7.3%, in New York County and \$19.0 million, or 6.8%, in Westchester County. All other concentrations by county, which account for less than 11% of this category, are \$10.0 million in balances or less.

The Bank considers a number of factors in originating multifamily and non-residential mortgages. This involves evaluating the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and conditions the property securing the loan. When evaluating the qualifications of the borrower, the Bank considers the financial resources of the borrower, the borrower's experience in owning or managing similar properties and the borrower's payment history with the Bank and other financial institutions. In evaluating the property securing the loan, the factors considered include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value or purchase price of the mortgaged property (whichever is lower), and the debt service coverage ratio (net operating income divided by debt service requirement). All multifamily and non-residential loans are supported by appraisals that conform to the Bank's appraisal policy.

The Bank generally limits the maximum loan-to-value ratio on these loans to 75%, based on the lower of the purchase price or appraised value of the subject property (70% on the refinance of nonresidential properties such as retail spaces, office buildings, and warehouses). The maximum loan term ranges between 25 and 30 years. As is the Bank's general policy, the Bank offers only adjustable rates on its multifamily and non-residential mortgages—with adjustments based on a spread currently ranging between 2.75% to 3.00% over the five year Federal Home Loan Bank of New York rate.

Construction and Land Lending. Construction and land lending totaled \$30.3 million or 4.7% of the Bank's total loan portfolio as of December 31, 2016, with the majority consisting of multifamily residential projects.

The Bank's typical construction loan has a term of up to 24 months and contains:

- a 10% contingency;
- a 10% retainage;
- a loan-to-cost ratio of 65% or less;
- an end loan loan-to-value ratio of 70% or less;
- an interest reserve;
- guarantees of all owners / partners / shareholders of a closely held organization owning 20% or more of company stock or entity ownership; and
- an option to convert to a permanent mortgage loan upon completion of the project.

The Bank's approach to the underwriting of construction loans is driven by five factors: analysis of the developer; analysis of the contractor; analysis of the project; valuation of the project; and evaluation of the source of repayment.

The developer's character, capacity and capital are analyzed to determine that the individual or entity has the ability to first complete the project and then either sell it or carry permanent financing. The general contractor is analyzed for reputation, sufficient expertise and capacity to complete the project within the allotted time. The project is analyzed in order to ensure that the project will be completed within a reasonable period of time according to the plans and specifications, and can either be sold or refinanced once completed. All construction loans are supported by appraisals which conform to the Bank's appraisal policy and affirm the value of the project both "As Is" and "As Completed". Lastly, the Bank reviews the developer's cash flow estimations for the project on an "As Completed" basis. These projections are compared to the appraiser's estimates. Debt service coverage using projected net income must be at least 1.2 times the estimated debt service when operating at stabilized levels.

Upon closing of the construction loan, the Bank begins monitoring the project and funding requisitions for completed stages upon inspection and confirmation by third party firms, such as engineers, of the work performed and its value and quality. Conversion to permanent financing usually occurs upon a conversion underwriting and receipt of certificates of occupancy, as applicable.

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C&I Loans and Lines of Credit. C&I loans and lines of credit represent a small portion of the Bank's total portfolio as of December 31, 2016, less than 2.5%.

Although the Bank's loan policy allows for the extension of secured and unsecured financing, the Bank always seeks collateral when in initial discussions with potential borrowers. Unsecured credit facilities are made only to strong borrowers that possess established track records with the Bank (or come highly recommended) and are supported by guarantors. Guarantees are required of any individual or entity owning or controlling 20% or more of the borrowing entity, with exceptions requiring approval of the Board of Directors. When credits are not secured by a specific lien on an asset, the Bank usually requires a general lien on all business assets as evidenced by a UCC filing. Pricing is typically based on the Wall Street Journal prime rate plus a spread driven by risk rating variables.

Underwriters are required to identify at least two sources of repayment, usually recommend that loans contain covenants, such as minimum debt service coverage ratios, minimum global debt service coverage ratios, maximum leverage ratios, 30-day "cleanups" or "clean-downs", as applicable, and must require periodic financial reporting. In addition, every effort is made to set up borrowers with auto-debit for loan payments, and they are strongly encouraged to maintain operating accounts at the Bank.

Lines of credit are typically short term facilities (12 months) that are provided for occasional or seasonal needs. They are extended to only the strongest borrowers who have established cash flow from operations and a clean history. An annual 30-day clean-up or 75% annual pay-down period is required. A clean-up period generally is not required on secured lines. Guarantors, which are usually required, must have clean credit histories and a substantial outside net worth. Most lines contain an option to convert to a term loan upon maturity.

Secured term loans are long term facilities extended typically for the purpose of financing the purchase of a long term asset. At a minimum, they will be collateralized by the asset being purchased. They may also be secured by an existing long term business asset or outside collateral pledged by the guarantor. Unsecured term loans will only be extended to the strongest borrowers who have established cash flow from operations and a clean credit history. Although Bank policy allows term loans for up to 10 years, the preference is to offer self-amortizing term loans based on a term of no more than five to seven years.

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Loan Originations, Purchases and Sales. The following table sets forth our loan originations, sales, purchases and principal repayment activities during the periods indicated.

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
Total loans at beginning of year	\$576,611	\$552,259	\$ 571,284	\$ 594,418	\$ 622,359
Loans originated:					
Mortgage loans:					
1-4 family residences	71,908	51,864	46,228	54,509	30,715
Investor owned	57,167	39,309	34,603	31,508	20,544
Owner occupied	14,741	12,555	11,625	23,001	10,171
Multifamily residences	51,876	34,048	28,965	21,986	19,955
Nonresidential properties	31,408	18,365	15,972	13,850	9,902
Construction and land	5,693	3,497	15,485	10,389	13,589
Total mortgage loans	160,885	107,774	106,650	100,734	74,161
Nonmortgage loans:					
Business loans	1,222	7,451	4,540	5,084	1,924
Consumer loans	718	692	277	516	782
Total nonmortgage loans	1,940	8,143	4,817	5,600	2,706
Total loans	162,825	115,917	111,467	106,334	76,867
Loans purchased:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	—
Multifamily residences	—	—	—	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	—	—	—	—
Total mortgage loans	—	—	—	—	—
Nonmortgage loans:					
Business loans	—	—	—	—	—
Consumer loans	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—
Total loans	—	—	—	—	—
Loans sold:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	(275)
Multifamily residences	—	—	(838)	—	(991)
Nonresidential properties	—	—	—	—	—
Construction and land	—	—	—	—	(1,163)
Total mortgage loans	—	—	(838)	—	(2,429)
Nonmortgage loans:					
Business loans	—	—	—	—	—
Consumer loans	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—
Total loans	—	—	(838)	—	(2,429)
Principal repayments and other	(87,794)	(91,565)	(131,330)	(129,468)	(107,237)
Net loan activity	75,031	24,352	(19,025)	(23,134)	(27,941)
Total loans at end of year	<u>651,642</u>	<u>576,611</u>	<u>552,259</u>	<u>571,284</u>	<u>594,418</u>

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Loan Approval Procedures and Authority. Our maximum loan to one borrower is 90% of the Bank’s legal lending limit, individually and cumulatively. At December 31, 2016 the legal lending limit to one borrower was \$15.9 million.

The Bank’s lending is subject to written policies, underwriting standards and operating procedures. Decisions on the loan applications are made on the basis of detailed applications submitted by the prospective borrower, credit histories that we obtain and property valuations, consistent with our appraisal policy. The appraisals are prepared by outside independent licensed appraisers approved by the Board of Directors. They are also subject to internal evaluations using scorecards which are reviewed periodically. The loan applications are designed primarily to determine the borrower’s ability to repay the requested loan, and all information provided with the application and the provided checklists as part of the application package are thoroughly evaluated by the loan underwriting department.

The lending approval process starts with the processing of the application package, which is reviewed for completeness and then all necessary agency reports are ordered. Upon initial review and preparation of preliminary documents by the processors in the underwriting department, the file is assigned to an underwriter. The underwriters are responsible for presenting the loan request—with a recommendation—to the Loan Committee and then the Board of Directors, when the credit exposure is greater than the Loan Committee’s authority. If approved, closed and booked, the loan reviewers then undertake the responsibility of monitoring the credit file for the life of the loan by assessing the borrower’s creditworthiness periodically, given certain criteria and following certain operating procedures. An independent third party also performs loan reviews following similar criteria and scope, under the oversight of the Audit Committee of the board of directors.

The Bank also offers smaller commercial and consumer loans of up to \$250,000 that follow an “Express Approval” process based on certain underwriting guidelines. Express Approval loans require the signature of only three (3) Loan Committee members.

At this time, the Bank does not originate loans with the intent of selling them into the secondary market. However, the Bank does have three non-accruing troubled debt restructured loans totaling \$2.1 million, that constitute the held-for-sale portfolio. These are the remaining nonperforming loans that the Bank moved to the held-for-sale portfolio in an effort to decrease our nonperforming loans.

Contractual Maturities. The following tables set forth the contractual maturities of our total loan portfolio at December 31, 2016. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The tables present contractual maturities and do not reflect repricing or the effect of prepayments. Actual maturities may differ.

<u>December 31, 2016</u>	<u>1-4 family residences - Investor Owned</u>	<u>1-4 family residences - Owner Occupied</u>	<u>Multifamily Residences</u>	<u>Nonresidential properties</u>
	(In thousands)			
Amounts due in:				
One year or less	\$ 4,930	\$ 1,465	\$ 2,197	\$ 1,813
More than one to five years	13,915	4,078	6,593	9,598
More than five years	208,564	92,088	149,410	110,089
Total	<u>\$ 227,409</u>	<u>\$ 97,631</u>	<u>\$ 158,200</u>	<u>\$ 121,500</u>

<u>December 31, 2016</u>	<u>Construction and Land</u>	<u>Business</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)			
Amounts due in:				
One year or less	\$ 22,336	\$ 9,003	\$ 126	\$ 41,870
More than one to five years	8,004	6,716	717	49,621
More than five years	—	—	—	560,151
Total	<u>\$ 30,340</u>	<u>\$ 15,719</u>	<u>\$ 843</u>	<u>\$ 651,642</u>

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The following table sets forth our fixed and adjustable-rate loans at December 31, 2016 that are contractually due after December 31, 2017.

	Due After December 31, 2017		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
1-4 family residences	\$ 75,312	\$243,333	\$318,645
Investor owned	33,225	189,254	222,479
Owner occupied	42,087	54,079	96,166
Multifamily residences	15,126	140,877	156,003
Nonresidential properties	24,170	95,517	119,687
Construction and land	8,004	—	8,004
Total mortgage loans	122,612	479,727	602,339
Nonmortgage loans:			
Business	4,623	2,093	6,716
Consumer	717	—	717
Total nonmortgage loans	5,340	2,093	7,433
Total	<u>\$127,952</u>	<u>\$481,820</u>	<u>\$609,772</u>

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Delinquencies and Non-Performing Assets

Delinquency Procedures. The Collection Department representatives commence collection efforts on the 11th day of delinquency based on the borrower's payment behavior. Calls will be made with respect to loans considered high risk (Classified loans) as well as loans which experienced lateness/sporadic payments and newly originated credit facilities within the last twelve months. Calls begin on the 17th day of delinquency for all remaining loans. Late notices are mailed on the 17th and 30th day and will continue to follow the same cycle thereafter. If a multifamily or nonresidential property loan becomes 30 days past due the Bank will determine if a cure letter is warranted. The Collection Department will pursue collection efforts up until the 90th day past due. At that time, the Bank usually will institute legal procedures for collection or foreclosure unless it is in the best interest of the Bank to work further with the borrower to arrange a suitable workout plan.

When we acquire real estate as a result of foreclosure, the real estate is classified as real estate owned. The real estate is recorded at the lower of carrying amount or fair value, less estimated costs to sell. Soon after acquisition, we order a new appraisal to determine the current fair value of the property. Any excess of the recorded value of the loan over the fair value of the property is charged against the allowance for loan losses. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell.

For the years ended December 31, 2016 and 2015, we collected \$159,270 and \$378,878, respectively, of interest income on our non-accruing troubled debt restructured loans, of which we recognized \$26,193 and \$71,698, respectively. The remaining interest collected on our non-accruing troubled debt restructured loans for 2016 and 2015 was applied as a principal reduction for the remaining life of the loan, or the loan is deemed performing.

Delinquent Loans. The following table set forth our loan delinquencies, including non-accrual loans, by type and amount at the dates indicated.

	At December 31,								
	2016			2015			2014		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)								
Mortgages:									
1-4 Family	\$ 5,278	\$ 557	\$ 2,059	\$ 3,329	\$ 970	\$ 2,517	\$ 2,890	\$ 927	\$ 3,290
Investor owned	2,716	—	325	2,306	659	805	1,413	320	1,107
Owner occupied	2,562	557	1,734	1,023	311	1,712	1,477	607	2,183
Multifamily	819	—	—	84	—	—	8	—	2,956
Nonresidential properties	41	—	1,994	680	55	859	1,783	957	176
Construction and land	—	—	—	—	—	—	2,228	—	1,280
Nonmortgage Loans:									
Business	25	—	22	—	—	—	195	—	600
Consumer	—	—	—	—	—	—	2	—	—
Total	\$ 6,163	\$ 557	\$ 4,075	\$ 4,093	\$ 1,025	\$ 3,376	\$ 7,106	\$ 1,884	\$ 8,302

	At December 31,					
	2013			2012		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)					
Mortgages:						
1-4 Family	\$ 8,748	\$ 935	\$10,717	\$18,990	\$ 4,373	\$21,018
Investor owned	6,179	232	6,887	11,024	2,637	13,470
Owner occupied	2,569	703	3,830	7,966	1,736	7,548
Multifamily	1,466	—	971	2,002	3,100	1,941
Nonresidential properties	2,381	789	1,604	6,464	2,236	4,040
Construction and land	4,774	1,243	2,207	337	2,009	3,578
Nonmortgage Loans:						
Business	1,741	679	—	2,261	1,837	5,026
Consumer	15	18	—	51	8	3
Total	\$19,125	\$ 3,664	\$15,499	\$30,105	\$13,563	\$35,606

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Non-Performing Assets. The following table sets forth information regarding our non-performing assets. Non-accrual loans include non-accruing troubled debt restructurings of \$2.7 million, \$4.5 million, \$9.0 million, \$24.3 million and \$22.1 million as of December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

	At December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Nonaccrual loans:					
Mortgage loans:					
1-4 family residences	\$ 2,272	\$ 2,713	\$ 3,757	\$12,348	\$19,266
Investor owned	809	1,635	2,721	7,365	12,504
Owner occupied	1,463	1,078	1,036	4,983	6,762
Multifamily residences	—	—	2,957	4,040	4,320
Nonresidential properties	1,614	1,660	72	1,579	3,232
Construction and land	1,145	637	259	3,019	7,143
Nonmortgage loans:					
Business	22	13	14	236	1,686
Consumer	—	—	—	29	40
Total nonaccrual loans (not including nonaccruing troubled debt restructured loans)	5,052	5,023	7,059	21,251	35,687
Nonaccruing troubled debt restructured loans:					
Mortgage loans:					
1-4 family residences	1,886	3,654	6,508	17,530	15,200
Investor owned	1,240	2,599	4,585	10,059	7,666
Owner occupied	646	1,055	1,923	7,471	7,534
Multifamily residences	—	—	—	396	450
Nonresidential properties	783	828	2,427	5,658	5,508
Construction and land	—	—	—	—	154
Nonmortgage loans:					
Business	—	—	79	751	824
Consumer	—	—	—	—	—
Total nonaccruing troubled debt restructured loans	2,669	4,482	9,014	24,335	22,136
Total nonaccrual loans	7,722	9,505	16,073	45,586	57,823
Real estate owned:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	—
Multifamily residences	—	—	—	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	76	162	1,059	1,200
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total real estate owned	\$ —	\$ 76	\$ 162	\$ 1,059	\$ 1,200
Total nonperforming assets	\$ 7,721	\$ 9,581	\$16,235	\$46,645	\$59,023
Accruing loans past due 90 days or more:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	—
Multifamily residences	—	—	—	—	—
Nonresidential properties	—	—	126	127	299
Construction and land	—	—	1,257	894	—
Nonmortgage loans:					
Business	—	—	600	—	3,511
Consumer	—	—	—	—	—
Total accruing loans past due 90 days or more	—	—	1,983	1,021	3,810
Accruing troubled debt restructured loans:					
Mortgage loans:					
1-4 family residences	13,693	14,905	14,840	4,847	6,343
Investor owned	6,422	6,579	5,179	2,371	4,134
Owner occupied	7,271	8,326	9,661	2,476	2,209
Multifamily residences	—	—	—	—	—
Nonresidential properties	4,066	4,186	3,590	2,262	1,256
Construction and land	—	—	—	—	—
Nonmortgage loans:					
Business	593	814	970	—	—
Consumer	—	—	—	—	—
Total accruing troubled debt restructured loans	\$18,352	\$19,905	\$19,400	\$ 7,109	\$ 7,599

Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans	\$26,078	\$29,490	\$37,252	\$54,775	\$70,432
Total nonperforming loans to total loans	1.18%	1.65%	2.91%	7.98%	9.73%
Total nonperforming assets to total assets	1.04%	1.35%	2.28%	6.24%	7.59%
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans to total assets	3.50%	4.19%	5.27%	7.50%	9.25%

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For the years ended December 31, 2016 and 2015, we collected \$315,000 and \$597,000, respectively of interest income on our non-accruing loans, of which we recognized \$83,000 and \$115,000, respectively.

Classified Assets. Federal regulations provide for the classification of loans and other assets, such as debt and equity securities considered by the Office of the Comptroller of the Currency to be of lesser quality, as “substandard,” “doubtful” or “loss.” 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 allowance 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 designated as “special mention” by our management.

Under OCC regulations, when an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as “loss,” it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific loss allowances.

In connection with the filing of our periodic reports with the Office of the Comptroller of the Currency and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations.

On the basis of this review of our loans, our classified and special mention loans at the dates indicated were as follows:

	At December 31,				
	2016	2015	2014	2013	2012
	(In Thousands)				
Classified Loans:					
Substandard	\$19,225	\$17,786	\$18,862	\$53,690	\$71,197
Doubtful	—	—	—	—	1,252
Loss	—	—	—	—	—
Total classified loans	<u>19,225</u>	<u>17,786</u>	<u>18,862</u>	<u>53,690</u>	<u>72,449</u>
Special mention loans	<u>2,549</u>	<u>6,469</u>	<u>10,501</u>	<u>22,134</u>	<u>1,367</u>
Total classified and special mention loans	<u>\$21,774</u>	<u>\$24,255</u>	<u>\$29,363</u>	<u>\$75,824</u>	<u>\$73,816</u>

Troubled Debt Restructurings. We occasionally modify loans to help a borrower stay current on his or her loan and to avoid foreclosure. We consider modifications only after analyzing the borrower’s current repayment capacity, evaluating the strength of any guarantors based on documented current financial information, and assessing the current value of any collateral pledged. We generally do not forgive principal or interest on loans, but may do so if it is in our best interest and increases the likelihood that we can collect the remaining principal balance. We may modify the terms of loans to lower interest rates, which may be at below market rates, to provide for fixed interest rates on loans where fixed rates are otherwise not available, or to provide for interest-only terms. These modifications are made only when there is a reasonable and attainable workout plan that has been agreed to by the borrower and that is in our best interests. At December 31, 2016, we had 61 loans totaling \$23.2 million (including three loans held-for-sale totaling \$2.1 million) that were classified as troubled debt restructurings. Of these, ten loans totaling \$4.8 million (including all three of our loans held-for-sale totaling \$2.1 million) were included in our non-accrual loans at such date because they were not performing in accordance with their modified terms, and the remaining 51 loans, totaling \$18.4 million, had been performing in accordance with their modified terms for a minimum of six months since the date of restructuring.

Allowance for Loan Losses

The Bank has approved and maintained an appropriate, systematic and consistently applied process to determine the dollar amounts of the allowance for loan losses (“ALLL”) that is adequate to absorb inherent losses in the loan portfolio and other held financial instruments. An inherent loss, as defined by GAAP, and applicable banking regulations, is an unconfirmed loss that probably exists based on the information that is available as of the evaluation date. It is not a loss that may arise from events that might occur as a result of a possible future event. Arriving at an appropriate allowance involves a high degree of management’s judgment, is inevitably imprecise, and results in a range of possible losses.

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The determination of the dollar amounts of the ALLL are based on management's current judgments about the credit quality of the loan portfolio taking into consideration all known relevant internal and external factors that affect loan payment at the end of each month. The dollar amounts reported each month for the ALLL are reviewed at least quarterly by the Board. To ensure that the methodology remains appropriate for the Bank, the Board periodically has the methodology validated externally and causes revisions to be made when appropriate. The Audit Committee oversees and monitors the internal controls over the ALLL determination process. The Bank adheres to a safe and sound banking practice by maintaining, analyzing, and supporting an adequate ALLL in accordance with GAAP and supervisory guidance.

The Bank's ALLL methodology consists of a system designed and implemented to estimate loan and lease losses. The Bank's ALLL methodology incorporates management's current judgments about the credit quality of the loan and lease portfolio through a disciplined and consistently applied process.

The Bank's loan policy requires the following when the Bank calculates the level of ALLL:

- All loans shall be taken into consideration in the ALLL methodology whether on an individual or group basis.
- The Bank shall identify all loans to be evaluated for impairment on an individual basis under ASC 310 (formerly FAS 114) and segment the remainder of the loan portfolio into groups of loans with similar risk characteristics for evaluation and analysis under ASC 450 (formerly FAS 5).
- All known relevant internal and external factors that may affect the collection of the loan shall be taken into consideration.
- All known relevant internal and external factors that may affect loan collectability shall be considered and applied consistently; however, when appropriate, these factors may be modified for new factors affecting loan collectability.
- The particular risks inherent in different kinds of lending shall be taken into consideration.
- The current collateral values, less the costs to sell, shall be taken into consideration when applicable.
- The Bank shall require that competent and well-trained personnel perform the analysis, estimates, reviews and other ALLL methodology functions.
- The ALLL methodology shall be based on current and reliable information.
- The ALLL methodology shall be well documented, in writing, with clear explanations of the supporting analyses and rationale.
- The ALLL methodology shall include a systematic and logical method to consolidate the loss estimates and ensure the ALLL balance is recorded in accordance with GAAP.

Loan pools with similar risk characteristics. Loss histories are the starting point for the calculation of ALLL balances. Loss histories are calculated for each of the pools by aggregating the historical losses less recoveries within the respective pools and annualizing the number over the determined length of time. The length of time may vary according to the relevance of past periods' experience to the current period, among other considerations. The Bank currently uses a prior twelve quarter rolling average for its historical loss rates.

Each segment's historical loss rate is adjusted for the effects of the qualitative or environmental factors. The factors analyzed include:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices.
- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.
- Changes in the nature and volume of the portfolio and in the terms of loans.
- Changes in the experience, ability and depth of lending management and other relevant staff.
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans.
- Changes in the quality of the Bank's loan review system.
- Changes in the value of underlying collateral for collateral-dependent loans.
- The existence and effect of any concentration of credit, and changes in the level of such concentrations.

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- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.

The Bank utilizes a risk-based approach to determine the appropriate adjustments for each qualitative factor. A matrix containing definitions of low, medium, and high risk levels are used to assess the individual factors to determine their respective directional characteristics. These risk levels serve as the foundation for determining the individual adjustments for each factor for each pool of loans.

The qualitative factor adjustments are supported by applicable reports, graphs articles and any other relevant information to evidence and document management's judgment as to the respective levels of risk and adjustment requirements.

Each of the qualitative adjustment factors is applied to each of the loan pools to reflect adjustments that increase or decrease the historical loss rates applied to each loan pool. Each of these adjustment factors is individually supported and justified, and a discrete narrative for each reflects current information, events, circumstances, and conditions influencing the adjustment. The narratives include descriptions of each factor, management's analysis of how each factor has changed over time, which loan pool's loss rates have been adjusted, the amount by which loss estimates have been adjusted for changes in conditions, an explanation of how management estimated the impact, and other available data that support the reasonableness of the adjustments.

Once these qualitative adjustment factors are determined for each pool of loans, they are added to the historical loss numbers for each corresponding pool of loans to arrive at a loss factor for each pool based on historical loss experience and qualitative or environmental influences. These loss factors are adjusted to appropriately reflect the respective risk rating categories within each pool by applying the weighting factors described above to those loans within the respective pools risk rates.

The series of calculations described above can be expressed as the following equation:

$$[(H*P) + (Q*P)] = R, \text{ where}$$

H = Historical loss factor for the pool

Q = Qualitative/Environmental aggregate adjustment for the pool

P = Total loans within the pool

R = Required reserve amount for the risk rating category within the pool

Specific allowances for identified problem loans. The Bank considers a loan to be 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. All troubled debt restructurings and loans on non-accrual status are deemed to be impaired. A specific valuation allowance is established for the impairment amount of each loan, calculated using the present value of expected cash flows, observable market price, or the fair value of the collateral, in accordance with the most likely means of recovery.

Factors evaluated 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. The Bank determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

An unallocated component may be maintained to cover uncertainties that could affect our 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 allocated and general reserves in the portfolio.

Validation of the ALLL. The Bank considers its ALLL methodology valid when it accurately estimates the amount of loss contained in the loan portfolio. The Bank has employed procedures, including the following, when validating the reasonableness of its ALLL methodology and determining whether there may be deficiencies in its overall methodology or loan grading process:

- A review of trends in loan volume, delinquencies, loan restructurings and concentrations.
- A review of previous charge-offs and recovery history, including an evaluation of the timeliness of the entries to record both the charge-offs and the recoveries.

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- An at least annual review by a third party that is independent of the ALLL estimation process.
- An evaluation of the appraisal process of the underlying collateral.

The Bank supports the independent validation process with the work papers from the ALLL review function and may include the summary findings of an independent reviewer. The Board reviews the findings and acknowledges its review in the minutes of its meeting. If the methodology is changed based upon the findings of the validation process, the documentation that describes and supports the changes is maintained.

As an integral part of its examination process, the Office of the Comptroller of the Currency will periodically review our allowance for loan losses. Following such review, we may determine that it is appropriate to recognize additions to the allowance based on our judgment and information available to us at the time of such examination.

Current expected credit losses. On June 16, 2016 the Financial Accounting Standards Board issued the current expected credit losses (“CECL”) standard. The new standard will have a pervasive impact on us. In response to the new model, we have reassessed our risk management policies and procedures in order for us to successfully implement CECL. The effective date for the new standard is January 1, 2020. Once adopted, we will have to estimate the allowance for loan losses on expected losses rather than incurred losses.

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The following table sets forth activity in our allowance for loan losses for the years indicated.

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Allowance at beginning of year	\$ 9,484	\$9,449	\$ 9,940	\$10,056	\$ 7,872
Provision for loan losses	(57)	353	1,184	3,426	5,132
Charge offs:					
Mortgage loans:					
1-4 family residences	(38)	(282)	(701)	(1,533)	(504)
Investor owned	(38)	(142)	(494)	(1,042)	(335)
Owner occupied	—	(140)	(207)	(491)	(169)
Multifamily residences	(3)	(257)	(252)	(254)	(26)
Nonresidential properties	—	(19)	(268)	(184)	—
Construction and land	(85)	(77)	(32)	(434)	(467)
Nonmortgage loans:					
Business	—	—	(945)	(1,440)	(1,954)
Consumer	(13)	(8)	(19)	(18)	(56)
Total chargeoffs	(139)	(643)	(2,217)	(3,863)	(3,007)
Recoveries:					
Mortgage loans:					
1-4 family residences	160	63	235	4	5
Investor owned	18	53	198	4	5
Owner occupied	142	10	37	—	—
Multifamily residences	1	—	61	32	8
Nonresidential properties	9	31	10	—	6
Construction and land	5	—	—	133	—
Nonmortgage loans:					
Business	733	224	231	147	34
Consumer	9	7	5	5	6
Total recoveries	917	325	542	321	59
Net (chargeoffs) recoveries	778	(318)	(1,675)	(3,542)	(2,948)
Allowance at end of year	<u>\$10,205</u>	<u>\$9,484</u>	<u>\$ 9,449</u>	<u>\$ 9,940</u>	<u>\$10,056</u>
Allowance for loan losses as a percentage of nonperforming loans	132.17%	99.78%	58.79%	21.80%	17.39%
Allowance for loan losses as a percentage of total loans	1.57%	1.64%	1.71%	1.74%	1.69%
Net (chargeoffs) recoveries to average outstanding loans during the year	0.13%	(0.06%)	(0.30%)	(0.61%)	(0.48%)

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Allocation of Allowance for Loan Losses. The following table set forth the allowance for loan losses allocated by loan category and the percent of the allowance in each category to the total allocated allowance at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	Years Ended December 31,								
	2016			2015			2014		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)								
Mortgage loans:									
1-4 family residences	\$ 4,951	48.52%	49.88%	\$ 4,969	52.39%	53.64%	\$ 5,004	52.96%	53.59%
Investor owned	3,146	30.83%	34.90%	2,843	29.98%	35.44%	2,727	28.86%	34.54%
Owner occupied	1,805	17.69%	14.98%	2,126	22.42%	18.20%	2,277	24.10%	19.05%
Multifamily residences	2,705	26.51%	24.28%	1,994	21.02%	21.30%	1,669	17.66%	20.10%
Nonresidential properties	1,320	12.93%	18.64%	1,298	13.69%	18.46%	1,529	16.18%	20.24%
Construction and land	615	6.03%	4.66%	502	5.29%	3.97%	504	5.33%	3.39%
Total mortgage loans	9,591	93.98%	97.46%	8,763	92.40%	97.37%	8,706	92.13%	97.32%
Nonmortgage loans:									
Business	597	5.85%	2.41%	709	7.48%	2.49%	732	7.75%	2.57%
Consumer	17	0.17%	0.13%	12	0.13%	0.14%	11	0.12%	0.11%
Total nonmortgage loans	614	6.02%	2.54%	721	7.60%	2.63%	743	7.87%	2.68%
Total allocated allowance	10,205	100.00%	100.00%	9,484	100.00%	100.00%	9,449	100.00%	100.00%
Unallocated	—			—			—		
Total	\$ 10,205			\$ 9,484			\$ 9,449		

	Years Ended December 31,					
	2013			2012		
	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Each Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Mortgage loans:						
1-4 family residences	\$ 5,012	50.43%	53.74%	\$ 4,721	46.95%	52.67%
Investor owned	2,978	29.96%	34.27%	3,426	34.07%	34.99%
Owner occupied	2,035	20.47%	19.47%	1,295	12.88%	17.68%
Multifamily residences	1,538	15.47%	18.82%	963	9.57%	18.16%
Nonresidential properties	1,321	13.29%	19.19%	974	9.69%	19.45%
Construction and land	656	6.60%	4.48%	656	6.52%	5.00%
Total mortgage loans	8,528	85.79%	96.23%	7,314	72.73%	95.28%
Nonmortgage loans:						
Business	1,394	14.02%	3.56%	2,703	26.88%	4.47%
Consumer	18	0.19%	0.21%	39	0.39%	0.25%
Total nonmortgage loans	1,412	14.21%	3.77%	2,742	27.27%	4.72%
Total allocated allowance	9,940	100.00%	100.00%	10,056	100.00%	100.00%
Unallocated	—			—		
Total	\$ 9,940			\$ 10,056		

At December 31, 2016, our allowance for loan losses represented 1.57% of total loans and 132.15% of nonperforming loans. The allowance for loan losses increased to \$10.2 million at December 31, 2016 from \$9.5 million at December 31, 2015. There were \$777,619 in net loan recoveries and \$318,193 in net loan charge-offs during the years ended December 31, 2016 and December 31, 2015, respectively.

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while we believe that we have established our allowance for loan losses in conformity with GAAP, after a review of our loan portfolio by regulators, we may determine it is appropriate to increase our allowance for loan losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, the existing allowance for loan losses may not be adequate and increases may be necessary should the quality of any loan deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

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Investment Activities

General. Our investment policy was adopted by the board of directors. The investment policy is reviewed annually by the board of directors. The Chief Financial Officer is designated as the Chief Investment Officer. The Chief Financial Officer will plan and execute investment strategies consistent with the policies approved by the Board of Directors. The Chief Financial Officer provides an investment schedule detailing the investment portfolio which is reviewed at least quarterly by the Bank’s asset-liability committee and the board of directors.

Our current investment policy permits, with certain limitations, investments in United States Treasury securities; securities issued by the United States Government and its agencies or government sponsored enterprises including mortgage-backed and collateralized mortgage obligations (“CMO”) issued by Fannie Mae, Ginnie Mae and Freddie Mac; corporate bonds and obligations, and certificates of deposit in other financial institutions.

At December 31, 2016, our investment portfolio consisted of securities and obligations issued by the U.S. government and government sponsored enterprises and the Federal Home Loan Bank of New York. At December 31, 2016, we owned \$963,900 of Federal Home Loan Bank of New York stock. As a member of Federal Home Loan Bank of New York, we are required to purchase stock in the Federal Home Loan Bank of New York, which stock is carried at cost and classified as restricted equity securities.

Securities Portfolio Composition. The following table sets forth the amortized cost and estimated fair value of our available-for-sale securities portfolio at the dates indicated, which consisted of U.S. government and federal agencies, pass-through mortgage-backed securities, and certificates of deposit.

	At December 31,									
	2016		2015		2014		2013		2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)									
U.S. Government and Federal Agencies	\$ 41,906	\$ 41,559	\$ 71,899	\$ 71,166	\$ 88,828	\$ 87,088	\$ 90,823	\$ 86,662	\$ 96,022	\$ 95,894
Certificate of Deposits	500	500	—	—	—	—	—	—	—	—
Mortgage-Backed Securities										
FHLMC Certificates	192	216	202	222	212	234	222	238	332	355
FNMA Certificates	3,600	3,606	4,411	4,432	5,732	5,872	6,536	6,548	872	948
GNMA Certificates	6,744	6,809	6,084	6,214	7,211	7,380	8,668	8,857	11,158	11,496
	<u>\$ 52,942</u>	<u>\$ 52,690</u>	<u>\$ 82,596</u>	<u>\$ 82,034</u>	<u>\$ 101,983</u>	<u>\$ 100,574</u>	<u>\$ 106,249</u>	<u>\$ 102,305</u>	<u>\$ 108,384</u>	<u>\$ 108,693</u>

At December 31, 2016, there were no securities of which the amortized cost or estimated fair value exceeded 10% of our total equity.

Mortgage-Backed Securities. At December 31, 2016, we had mortgage-backed securities with a carrying value of \$10.6 million. Mortgage-backed securities are securities issued in the secondary market that are collateralized by pools of mortgages. Certain types of mortgage-backed securities are commonly referred to as “pass through” certificates because the underlying loans are “passed through” to investors, net of certain costs, including servicing and guarantee fees. Mortgage-backed securities typically are collateralized by pools of one- to- four family or multifamily mortgages, although we invest primarily in mortgage-backed securities backed by one- to- four family mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors such as Ponce De Leon Federal Bank. The interest rate of the security is lower than the interest rates of the underlying loans to allow for payment of servicing and guaranty fees. All of our mortgage-backed securities are backed by Freddie Mac and Fannie Mae, which are government-sponsored enterprises, or Ginnie Mae, which is a government-owned enterprise.

Residential mortgage-backed securities issued by United States Government agencies and government-sponsored enterprises are more liquid than individual mortgage loans because there is an active trading market for such securities. In addition, residential mortgage-backed securities may be used to collateralize our borrowings. Investments in residential mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on our securities. Current prepayment speeds determine whether prepayment estimates require modification that could cause amortization or accretion adjustments.

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Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at December 31, 2016, are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. Adjustable-rate mortgage-backed securities are included in the period in which interest rates are next scheduled to adjust.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
(In thousands)											
U.S. Government and Federal Agencies	\$ 2,000	0.653%	\$ 39,906	1.293%	—	—	—	—	\$ 41,906	\$41,559	1.262%
Certificate of Deposits	500	0.700%	—	—	—	—	—	—	500	500	0.700%
Mortgage-Backed Securities											
FHLMC Certificates	—	—	—	—	—	—	192	6.124%	192	216	6.124%
FNMA Certificates	—	—	44	4.454%	1,544	1.840%	2,012	2.559%	3,600	3,606	2.274%
GNMA Certificates	—	—	—	—	—	—	6,744	1.889%	6,744	6,809	1.889%
	<u>\$ 2,500</u>	<u>0.662%</u>	<u>\$ 39,950</u>	<u>1.296%</u>	<u>\$ 1,544</u>	<u>1.840%</u>	<u>\$ 8,948</u>	<u>2.131%</u>	<u>\$ 52,942</u>	<u>\$52,690</u>	<u>1.443%</u>

Sources of Funds

General. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also may use borrowings, primarily Federal Home Loan Bank of New York advances, to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk purposes and to manage the cost of funds. In addition, we receive funds from scheduled loan payments, investment maturities and calls, loan prepayments and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Our deposits are generated primarily from our primary market area. We offer a selection of deposit accounts, including demand accounts, savings accounts, certificates of deposit and individual retirement accounts. Deposit account terms vary, with the primary differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate.

Interest rates paid, maturity terms, service fees and premature withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals. We rely upon personalized customer service, long-standing relationships with customers, and the favorable image of the Bank in the community to attract and retain deposits. We recently implemented a fully functional electronic banking platform, including a mobile application and online bill pay, as a service to our retail and business customers.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. Based on experience, we believe that our deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions.

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The following table sets forth the average balance and weighted average rate of our deposit products at the dates indicated.

	For the Years Ended December 31,								
	2016			2015			2014		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)								
Deposit type:									
Savings	\$126,573	20.32%	0.26%	\$122,538	20.50%	0.20%	\$127,200	20.79%	0.20%
Interest-bearing demand	54,493	8.75%	0.18%	46,692	7.81%	0.16%	44,546	7.28%	0.13%
Certificates of deposits	371,313	59.62%	1.48%	366,958	61.40%	1.44%	379,860	62.07%	1.42%
Interest-bearing deposits	552,379	88.69%	1.07%	536,188	89.71%	1.04%	551,606	90.14%	1.03%
Non-interest bearing demand	70,407	11.31%	—	61,524	10.29%	—	60,318	9.86%	—
Total deposits	<u>\$622,786</u>	<u>100.00%</u>	<u>0.95%</u>	<u>\$597,712</u>	<u>100.00%</u>	<u>0.93%</u>	<u>\$611,924</u>	<u>100.00%</u>	<u>0.93%</u>

The following table sets forth our deposit activities for the periods indicated.

	At or For the Years Ended December 31,		
	2016	2015	2014
	(Dollars in thousands)		
Beginning balance	\$599,506	\$599,697	\$627,060
Net deposits (withdrawals) before interest credited	38,070	(5,459)	(32,739)
Interest credited	5,502	5,268	5,376
Net increase (decrease) in deposits	43,572	(191)	(27,363)
Ending balance	<u>\$643,078</u>	<u>\$599,506</u>	<u>\$599,697</u>

The following table sets forth our certificates of deposit classified by interest rate as of the dates indicated.

Interest Rate:	At December 31,		
	2016	2015	2014
	(Dollars in thousands)		
Less than 0.05%	\$ —	\$ —	\$ —
0.05% - 0.99%	58,874	86,624	127,612
1.00% - 1.49%	144,193	131,065	105,358
1.50% - 1.99%	66,455	56,453	47,856
2.00% - 2.49%	94,394	62,224	39,412
2.50% - 2.99%	4,805	26,222	38,184
3.00% and greater	—	1,297	12,495
Total	<u>\$368,721</u>	<u>\$363,885</u>	<u>\$370,917</u>

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The following table sets forth the amount and maturities of our certificates of deposit by interest rate at December 31, 2016.

	Period to Maturity				Total	Percent of Total
	Less Than or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three Years		
(Dollars in thousands)						
Interest Rate Range:						
0.05% - 0.99%	\$ 58,717	\$ 157	\$ —	\$ —	\$ 58,874	15.97%
1.00% - 1.49%	77,407	58,789	7,655	342	144,193	39.11%
1.50% - 1.99%	23,524	10,219	11,147	21,565	66,455	18.02%
2.00% - 2.49%	9,292	808	20,543	63,751	94,394	25.60%
2.50% - 2.99%	—	—	1,345	3,460	4,805	1.30%
Total	\$168,940	\$ 69,973	\$ 40,690	\$89,118	\$368,721	100.00%

As of December 31, 2016, the aggregate amount of all our certificates of deposit in amounts greater than or equal to \$100,000 was approximately \$233.5 million. The following table sets forth the maturity of these certificates as of December 31, 2016.

Maturity Period:	At December 31, 2016
	(In thousands)
Three months or less	\$ 32,919
Over three months through six months	27,367
Over six months through one year	41,477
Over one year to three years	70,719
Over three years	61,013
Total	\$ 233,495

At December 31, 2016, certificates of deposit equal to or greater than \$250,000 totaled \$90.3 million of which \$37.7 million mature in 2017.

At December 31, 2016, our passbook accounts totaled \$70.7 million, reflecting our depositors' preference for traditional banking services.

Borrowings. We may obtain advances from the Federal Home Loan Bank of New York by pledging as security our capital stock at the Federal Home Loan Bank of New York and certain of our mortgage loans and mortgage-backed securities. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. To the extent such borrowings have different terms to repricing than our deposits; they can change our interest rate risk profile. During the past several years, we have generally used shorter term Federal Home Loan Bank of New York advances. At December 31, 2016 we had \$3.0 million outstanding of Federal Home Loan Bank of New York advances.

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The following table sets forth information concerning balances and interests rates on our borrowings at the dates and for the periods indicated.

	At or For the Year December 31,		
	2016	2015	2014
	(Dollars in Thousands)		
FHLB Advances:			
Balance outstanding at end of year	\$ 3,000	\$ 8,000	\$10,000
Average amount outstanding during the year	1,145	15,050	9,129
Maximum outstanding at any month end	12,000	24,000	18,000
Weighted average interest rate during the year	0.61%	0.41%	0.47%
Weighted average interest rate at the end of year	0.78%	0.56%	0.45%

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As of December 31, 2016, the net book value of our office properties was \$24.6 million, and the net book value of our furniture, fixtures and equipment was \$1.4 million. The following table sets forth information regarding our offices.

<u>Location</u>	<u>Leased or Owned</u>	<u>Year Acquired or Leased</u>	<u>Net Book Value of Real Property</u> <u>(In thousands)</u>
Main Office:			
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 6,584
Other Properties:			
980 Southern Blvd. Bronx, NY 10459	Leased	Pre 1990	\$ 1,282
37-60 82nd Street Jackson Heights, NY 11372	Owned	2006	\$ 8,702
30 East 170th Street Bronx, NY 10452	Owned	1987	\$ 133
169-174 Smith Street Brooklyn, NY 11201	Owned	1988	\$ 50
1925 Third Avenue New York, NY 1996	Leased	1996	\$ 20
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 593
5560 Broadway Bronx, NY 10463	Owned	1998	\$ 1,137
3405-3407 Broadway Astoria, NY 11106	Leased	2001	\$ —
3821 Bergenline Avenue Union City, NJ 07087	Owned	2001	\$ 1,816
1900-1960 Ralph Avenue Brooklyn, NY 11234	Leased	2007	\$ 363
20-47 86th Street Brooklyn, NY 11214	Owned	2010	\$ 1,965
100-20 Queens Blvd Forest Hills, NY 11375	Leased	2010	\$ 697
319 First Avenue New York, NY 10003	Leased	2010	\$ 1,231

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We believe that current facilities are adequate to meet our present and foreseeable needs, subject to possible future renovations.

Subsidiaries

We have two subsidiaries, Ponce De Leon Mortgage Corporation, a New York chartered mortgage brokerage entity whose employees are registered in New York and New Jersey and PFS Services Inc., which owns two of our properties.

Legal Proceedings

We are not involved in any pending legal proceedings as a defendant other than routine legal proceedings occurring in the ordinary course of business. At December 31, 2016, we were not involved in any legal proceedings the outcome of which would be material to our financial condition or results of operations.

Expense and Tax Allocation

Ponce Bank will enter into an agreement with PDL Community Bancorp and Ponce Bank Mutual Holding Company to provide them with certain administrative support services for compensation not less than the fair market value of the services provided. In addition, Ponce Bank and PDL Community Bancorp will enter into an agreement to establish a method for allocating and for reimbursing the payment of their consolidated tax liability. The Bank's ESOP Trust will also enter into a borrowing agreement with PDL Community Bancorp to enable the ESOP to purchase the requisite shares of PDL Community Bancorp.

Personnel

As of December 31, 2016, we had 173 full-time employees and one part-time employee. Our employees are not represented by any collective bargaining group. Management believes that we have good working relations with our employees.

TAXATION

Ponce De Leon Federal Bank is, and Ponce Bank Mutual Holding Company, PDL Community Bancorp and Ponce Bank will be, subject to federal and state income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal and state taxation is intended only to summarize material income tax matters and is not a comprehensive description of the tax rules applicable to Ponce Bank Mutual Holding Company, PDL Community Bancorp, and Ponce Bank.

Our federal and state tax returns have not been audited for the past five years.

Federal Taxation

Method of Accounting. For federal income tax purposes, Ponce De Leon Federal Bank currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal income tax returns. PDL Community Bancorp and Ponce Bank will file a consolidated federal income tax return. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for income taxes on bad debt reserves by savings institutions. For taxable years beginning after 1995, Ponce De Leon Federal Bank has been subject to the same bad debt reserve rules as commercial banks. It currently utilizes the specific charge-off method under Section 582(a) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code").

Minimum Tax. The Internal Revenue Code imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, less an exemption amount, referred to as "alternative minimum taxable income." The alternative minimum tax is payable to the extent tax computed this way exceeds tax computed by applying the regular tax rates to regular taxable income. Net operating losses can, in general, offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. After the computation of taxes for the fiscal year ended December 31, 2016, Ponce De Leon Federal Bank does not have a minimum tax credit carryforward.

Net Operating Loss Carryovers. Generally, a financial institution may carry back net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. At December 31, 2016, Ponce De Leon Federal Bank had no federal net operating loss carryforwards.

Capital Loss Carryovers. A corporation cannot recognize capital losses in excess of capital gains generated. Generally, a financial institution may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which carried and is used to offset any capital gains. Any undeducted loss remaining after the five-year carryover period is not deductible. At December 31, 2016, Ponce De Leon Federal Bank had no capital loss carryovers.

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Corporate Dividends. PDL Community Bancorp may generally exclude from its income 100% of dividends received from Ponce Bank as a member of the same affiliated group of corporations.

State Taxation

Ponce De Leon Federal Bank is and Ponce Bank will be treated as a financial institution under New York and New Jersey state income tax law. The states of New York and New Jersey subject financial institutions to all state and local taxes in the same manner and to the same extent as other business corporations in New York and New Jersey. Additionally, depository financial institutions are subject to local business license taxes and a special occupation tax.

Consolidated Group Return. With tax years beginning after January 1, 2015, New York State and New York City require unitary combined reporting for all entities engaged in a unitary business that meet certain ownership requirements. All applicable entities meet the ownership requirements in the Ponce De Leon Federal Bank filing group and a combined return is appropriately filed. Furthermore, New Jersey is not a unitary business state. Affiliated corporations that file a consolidated federal income tax return must file separate income tax returns unless they have prior approval or have been requested to file a consolidated return by the Commissioner of the New Jersey Department of Revenue.

Net Operating Loss Carryovers. For federal income tax purposes, a financial institution may carry back net operating losses to the preceding two taxable years and forward to the succeeding twenty taxable years. At December 31, 2016, Ponce De Leon Federal Bank did not have any federal net operating loss carryforwards. The state and city of New York allow for a three-year carryback period and carryforward period of twenty years on net operating losses generated on or after tax year 2015, for tax years prior to 2015, no carryback period is allowed. Ponce De Leon Federal Bank has pre-2015 carryforwards of \$1.9 million for New York State purposes and \$1.8 million for New York City purposes. Furthermore, there are post-2015 carryforwards available of \$13.2 million for New York State purposes and \$7.6 million for New York City purposes. Finally, for New Jersey purposes, losses may only be carried forward 20 years, with no allowable carryback period. At December 31, 2016, Ponce De Leon Federal Bank had no New Jersey net operating loss carryforwards.

REGULATION AND SUPERVISION

General

As a federal savings association, Ponce De Leon Federal Bank is and Ponce Bank will be subject to examination, supervision and regulation, primarily by the Office of the Comptroller of the Currency, and, secondarily, by the Federal Deposit Insurance Corporation ("FDIC") as the insurer of deposits. Prior to July 21, 2011, the Office of Thrift Supervision was Ponce De Leon Federal Bank's primary federal regulator. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which is discussed further below, eliminated the Office of Thrift Supervision and transferred the Office of Thrift Supervision's functions relating to federal savings associations, including rulemaking authority, to the Office of the Comptroller of the Currency, effective July 21, 2011. The federal system of regulation and supervision establishes a comprehensive framework of activities in which Ponce De Leon Federal Bank is engaging and Ponce Bank will engage and is intended primarily for the protection of depositors and the FDIC's Deposit Insurance Fund.

Ponce De Leon Federal Bank is and Ponce Bank will also be regulated to a lesser extent by the Board of Governors of the Federal Reserve System, or the "Federal Reserve Board," which governs the reserves to be maintained against deposits and other matters. In addition, Ponce De Leon Federal Bank is and Ponce Bank will be a member of and owns stock in the Federal Home Loan Bank of New York, which is one of the 11 regional banks in the Federal Home Loan Bank System. Ponce De Leon Federal Bank's relationship with its depositors and borrowers also is and Ponce Bank's will be regulated to a great extent by federal law and, to a lesser extent, state law, including in matters concerning the ownership of deposit accounts and the form and content of loan documents.

As a savings and loan holding company, PDL Community Bancorp and Ponce Bank Mutual Holding Company will be subject to examination and supervision by, and be required to file certain reports with, the Federal Reserve Board. The Office of Thrift Supervision's functions relating to savings and loan holding companies were transferred to the Federal Reserve Board on July 21, 2011 pursuant to the Dodd-Frank Act regulatory restructuring. PDL Community Bancorp will also be subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

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Set forth below are certain material regulatory requirements that will be applicable to Ponce Bank and PDL Community Bancorp. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on Ponce Bank and PDL Community Bancorp. Any change in these laws or regulations, whether by Congress or the applicable regulatory agencies, could have a material adverse impact on PDL Community Bancorp, Ponce Bank and their operations.

Dodd-Frank Act

As noted above, the Dodd-Frank Act made significant changes to the regulatory structure for depository institutions and their holding companies. However, the Dodd-Frank Act's changes go well beyond that and affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act required the Federal Reserve Board to set minimum capital levels for both bank holding companies and savings and loan holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital for holding companies were restricted to capital instruments that were then currently considered to be Tier I capital for insured depository institutions. Subsequent regulations issued by the Federal Reserve Board generally exempted from these requirements bank and savings and loan holding companies of less than \$1 billion of consolidated assets. The legislation also established a floor for capital of insured depository institutions that cannot be lower than the standards in effect upon passage, and directed the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as Ponce Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Banks and savings institutions with \$10 billion or less in assets continue to be examined for compliance by their applicable bank regulators. The new legislation also weakened the federal preemption available for national banks and federal savings associations, and gave state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The legislation also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per separately insured depositor, retroactive to January 1, 2008. The Dodd-Frank Act increased stockholder influence over boards of directors by requiring publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments. The legislation also directed the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded. Further, the legislation required that originators of securitized loans retain a percentage of the risk for transferred loans, directed the Federal Reserve Board to regulate pricing of certain debit card interchange fees and contained a number of reforms related to mortgage origination.

Many provisions of the Dodd-Frank Act involve delayed effective dates and/or require implementing regulations. The implementation of the legislation is an ongoing process and the impact on operations cannot yet fully be assessed. However, subject to the next sentence, there is a significant likelihood that the Dodd-Frank Act will result in an increased regulatory burden and compliance, operating and interest expenses for Ponce Bank and PDL Community Bancorp. However, in February 2017, the President issued an executive order stating that a policy of his administration would be to make regulations efficient, effective, and appropriately tailored. The executive order directed certain regulatory agencies to review and identify laws and regulations that inhibit federal regulation of the U.S. financial system in a manner inconsistent with the policies stated in the executive order. Any changes in laws or regulation as a result of this review could result in a repeal, amendment to or delayed implementation of the Dodd-Frank Act.

Federal Banking Regulation

Business Activities. A federal savings association derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, Ponce Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. The Dodd-Frank Act authorized, for the first time, the payment of interest on commercial checking accounts, effective July 21, 2011. Ponce Bank may also establish, subject to specified investment limits, service corporation subsidiaries that may engage in certain activities not otherwise permissible for Ponce Bank, including real estate investment and securities and insurance brokerage.

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Examinations and Assessments. Ponce De Leon Federal Bank is and Ponce Bank will be primarily supervised by the Office of the Comptroller of the Currency. Ponce De Leon Federal Bank is and Ponce Bank will be required to file reports with and is subject to periodic examination by the Office of the Comptroller of the Currency. Ponce De Leon Federal Bank is and Ponce Bank will be required to pay assessments to the Office of the Comptroller of the Currency to fund the agency's operations. PDL Community Bancorp will be required to file reports with and will be subject to periodic examination by the Federal Reserve Board. It also will be required to pay assessments to the Federal Reserve Board to fund the agency's operations.

Capital Requirements. Federal regulations require FDIC-insured depository institutions, including federal savings associations, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets and a Tier 1 capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and Total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively. The regulations also establish a minimum required leverage ratio of at least 4% Tier 1 capital. Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and Additional Tier 1 capital. Additional Tier I capital generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus Additional Tier I capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. In 2015 Ponce De Leon Federal Bank made a one-time, permanent election to opt-out regarding the treatment of AOCI. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale securities). Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, an institution's assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests), are multiplied by a risk weight factor assigned by the regulations based on the risk deemed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% on January 1, 2019.

At December 31, 2016, Ponce De Leon Federal Bank's capital exceeded all applicable requirements. See "Historical and Pro Forma Regulatory Capital Compliance."

Loans-to-One Borrower. Generally, a federal savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by "readily marketable collateral," which generally includes certain financial instruments (but not real estate). As of December 31, 2016, Ponce De Leon Federal Bank was in compliance with the loans-to-one borrower limitations.

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Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under the federal Prompt Corrective Action statute, the Office of the Comptroller of the Currency is required to take supervisory actions against undercapitalized institutions under its jurisdiction, the severity of which depends upon the institution's level of capital. An institution that has a total risk-based capital ratio of less than 8.0%, a Tier I risk-based capital ratio of less than 6.0%, a common equity Tier I ratio of less than 4.5% or a leverage ratio of less than 4% is considered to be "undercapitalized." A savings institution that has total risk-based capital of less than 6.0%, a Tier I risk-based capital ratio of less than 4.0%, a common equity Tier I ratio of less than 3.0% or a leverage ratio that is less than 3.0% is considered to be "significantly undercapitalized." A savings institution that has a tangible capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized."

Generally, the Office of the Comptroller of the Currency is required to appoint a receiver or conservator for a federal savings association that becomes "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the Office of the Comptroller of the Currency within 45 days of the date that a federal savings association is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any holding company of a federal savings association that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5.0% of the savings association's assets at the time it was deemed to be undercapitalized by the Office of the Comptroller of the Currency or the amount necessary to restore the savings association to adequately capitalized status. This guarantee remains in place until the Office of the Comptroller of the Currency notifies the savings association that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures such as restrictions on capital distributions and asset growth. The Office of the Comptroller of the Currency may also take any one of a number of discretionary supervisory actions against undercapitalized federal savings associations, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At December 31, 2016, Ponce De Leon Federal Bank met the criteria for being considered "well capitalized," which means that its total risk-based capital ratio exceeded 10%, its Tier I risk-based ratio exceeded 8.0%, its common equity Tier I ratio exceeded 6.5% and its leverage ratio exceeded 5.0%

Qualified Thrift Lender Test. As a federal savings association, Ponce Bank must satisfy the qualified thrift lender, or "QTL," test. Under the QTL test, Ponce Bank must maintain at least 65% of its "portfolio assets" in "qualified thrift investments" (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of every 12-month period. "Portfolio assets" generally means total assets of a savings association, less the sum of specified liquid assets up to 20% of total assets, goodwill and other intangible assets, and the value of property used in the conduct of the savings association's business.

Alternatively, Ponce Bank may satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code.

A savings association that fails the qualified thrift lender test must operate under specified restrictions set forth in the Home Owners' Loan Act. The Dodd-Frank Act made noncompliance with the QTL test subject to agency enforcement action for a violation of law. At December 31, 2016, Ponce De Leon Federal Bank satisfied the QTL test.

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Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the savings association's capital account. A federal savings association must file an application with the Office of the Comptroller of the Currency for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings association's net income for that year to date plus the savings association's retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as Ponce Bank, must file a notice with the Federal Reserve Board at least 30 days before its board of directors declares a dividend.

An application or notice related to a capital distribution may be disapproved if:

- the federal savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings association also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. In connection with its examination of a federal savings association, the Office of the Comptroller of the Currency is required to assess the federal savings association's record of compliance with the Community Reinvestment Act. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the Office of the Comptroller of the Currency, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. Ponce De Leon Federal Bank received a "satisfactory" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. A federal savings association's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with an insured depository institution such as Ponce Bank. PDL Community Bancorp will be an affiliate of Ponce Bank because of its control of Ponce Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

Ponce Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

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- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and
- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Ponce Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by Ponce Bank's board of directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The Office of the Comptroller of the Currency has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the Office of the Comptroller of the Currency may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution to the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to \$25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as \$1.0 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the Office of the Comptroller of the Currency that enforcement action be taken with respect to a particular savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC insured financial institutions such as Ponce Bank. Deposit accounts in Ponce Bank are insured by the FDIC generally up to a maximum of \$250,000 per separately insured depositor and up to a maximum of \$250,000 for self-directed retirement accounts.

The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund. Under the FDIC's risk-based assessment system, insured institutions were assigned a risk category based on supervisory evaluations, regulatory capital levels and certain other factors. An institution's rate depended upon the category to which it is assigned, and certain adjustments specified by FDIC regulations. Institutions deemed less risky pay lower FDIC assessments. The Dodd-Frank Act required the FDIC to revise its procedures to base its assessments upon each insured institution's total assets less tangible equity instead of deposits. The FDIC finalized a rule, effective April 1, 2011, that set the assessment range at 2.5 to 45 basis points of total assets less tangible equity.

Effective July 1, 2016, the FDIC adopted changes that eliminated the risk categories. Assessments for most institutions are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years. In conjunction with the Deposit Insurance Fund reserve ratio achieving 1.5%, the assessment range (inclusive of possible adjustments) was reduced for most banks and savings associations to 1.5 basis points to 30 basis points.

In addition to the FDIC assessments, the Financing Corporation ("FICO") is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO are due to mature in 2017 through 2019. For the quarter ended December 31, 2016, the annualized FICO assessment was equal to 0.56 basis points of total assets less tangible capital.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of Ponce Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

Federal Home Loan Bank System. Ponce De Leon Federal Bank is and Ponce Bank will be a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the Federal Home Loan Bank of New York, Ponce De Leon Federal Bank is and Ponce Bank will be required to acquire and hold shares of capital stock in the Federal Home Loan Bank of New York. As of December 31, 2016, Ponce De Leon Federal Bank was in compliance with this requirement. Ponce Bank may utilize advances from the Federal Home Loan Bank of New York as a supplement to the supply of investable funds.

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Other Regulations

Interest and other charges collected or contracted for by Ponce De Leon Federal Bank are and by Ponce Bank will be subject to state usury laws and federal laws concerning interest rates. Ponce De Leon Federal Bank's operations are and Ponce Bank's will be also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act; and
- rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Ponce De Leon Federal Bank also are and Ponce Bank's will be subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;
- The USA PATRIOT Act, which requires savings associations to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements that also apply to financial institutions under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and
- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

General. PDL Community Bancorp and Ponce Bank Mutual Holding Company will be non-diversified savings and loan holding companies within the meaning of the Home Owners' Loan Act. As such, PDL Community Bancorp and Ponce Bank Mutual Holding Company will be registered with the Federal Reserve Board and be subject to the regulation, examination, supervision and reporting requirements applicable to savings and loan holding companies. In addition, the Federal Reserve Board has enforcement authority over PDL Community Bancorp, Ponce Bank Mutual Holding Company and its non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution.

Permissible Activities. Under present law, the business activities of PDL Community Bancorp and Ponce Bank Mutual Holding Company are generally limited to those activities permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, provided certain conditions are met and financial holding company status is elected, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial

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in nature, including underwriting equity securities and insurance as well as activities that are incidental to financial activities or complementary to a financial activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c) (8) of the Bank Holding Company Act, subject to regulatory approval, and certain additional activities authorized by federal regulations. PDL Community Bancorp and Ponce Bank Mutual Holding Company have not elected financial holding company status.

Federal law prohibits a savings and loan holding company, including PDL Community Bancorp and Ponce Bank Mutual Holding Company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5.0% of another savings institution or savings and loan holding company, without prior Federal Reserve Board approval. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board considers factors such as the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

The Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

- the approval of interstate supervisory acquisitions by savings and loan holding companies; and
- the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

Capital. Savings and loan holding companies have historically not been subjected to consolidated regulatory capital requirements. The Dodd-Frank Act required the Federal Reserve Board to establish for all bank and savings and loan holding companies minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries. However, pursuant to legislation passed in December 2014, the Federal Reserve Board extended to savings and loan holding companies the applicability of the “Small Bank Holding Company” exception to its consolidated capital requirements and increased the threshold for the exception from \$500 million of assets to \$1.0 billion, effective May 15, 2015. As a result, savings and loan holding companies with less than \$1.0 billion in consolidated assets are generally not subject to the capital requirements unless otherwise advised by the Federal Reserve Board.

Source of Strength. The Dodd-Frank Act extended the “source of strength” doctrine to savings and loan holding companies. The Federal Reserve Board has issued regulations requiring that all savings and loan holding companies serve as a source of strength to their subsidiary depository institutions.

Dividends and Stock Repurchases. The Federal Reserve Board has issued a policy statement regarding the payment of dividends by holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization’s capital needs, asset quality and overall supervisory financial condition. Separate regulatory guidance provides for prior consultation with Federal Reserve Bank staff concerning dividends in certain circumstances such as where the company’s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company’s overall rate of earnings retention is inconsistent with the company’s capital needs and overall financial condition. The ability of a savings and loan holding company to pay dividends may be restricted if a subsidiary savings association becomes undercapitalized. The regulatory guidance also states that a savings and loan holding company should inform Federal Reserve Bank supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the savings and loan holding company is experiencing financial weaknesses or the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of PDL Community Bancorp to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Waivers of Dividends by Ponce Bank Mutual Holding Company. PDL Community Bancorp may pay dividends on its common stock to public stockholders. If it does, it is also required to pay dividends to Ponce Bank Mutual Holding Company, unless Ponce Bank Mutual Holding Company elects to waive the receipt of dividends. Under the Dodd-Frank Act, Ponce Bank Mutual Holding Company must receive the approval of the Federal Reserve Board before it may waive the receipt of any dividends from PDL Community Bancorp. The Federal Reserve Board has issued an interim final rule providing that it will not object to dividend waivers under certain circumstances, including circumstances where the waiver is not detrimental to the safe and sound operation of the savings association and a majority of the mutual holding company’s members have approved the waiver of dividends by the mutual holding company within the previous twelve months. In addition, for a “non-grandfathered” mutual holding company such as Ponce Bank Mutual Holding Company, each officer or director of PDL Community Bancorp and Ponce Bank, and any tax-qualified stock benefit plan or non-tax-qualified stock benefit plan in which such individual participates that holds any shares of stock to which the waiver would apply, must waive the right to receive any such dividend declared. In addition, any dividends waived by Ponce Bank Mutual Holding Company must be considered in determining an appropriate exchange ratio in the event of a conversion of the mutual holding company to stock form.

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Acquisition. Under the Federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect “control” of a savings and loan holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the company’s outstanding voting stock, unless the Federal Reserve Board has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company’s outstanding voting stock. Under the Change in Bank Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Federal Securities Laws

PDL Community Bancorp’s common stock will be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. PDL Community Bancorp will be subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act (the “JOBS Act”), which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than \$1.0 billion during its most recently completed fiscal year qualifies as an “emerging growth company.” PDL Community Bancorp qualifies as an emerging growth company under the JOBS Act.

An “emerging growth company” may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as “say-on-pay” votes) or executive compensation payable in connection with a merger (more frequently referred to as “say-on-golden parachute” votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company’s internal control over financial reporting, and can provide scaled disclosure regarding executive compensation. PDL Community Bancorp will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a “smaller reporting company” under Securities and Exchange Commission regulations (generally less than \$75 million of voting and non-voting equity held by non-affiliates). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. PDL Community Bancorp has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of \$1.0 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a “large accelerated filer” under Securities and Exchange Commission regulations (generally, at least \$700 million of voting and non-voting equity held by non-affiliates).

MANAGEMENT

Our Directors

The board of directors of PDL Community Bancorp will initially consist of seven members, all of whom are directors of Ponce De Leon Federal Bank. Directors will serve three-year staggered terms so that approximately one-third of the directors will be elected at each annual meeting of stockholders. Because Ponce Bank Mutual Holding Company will own a majority of our outstanding common stock, we will be a “controlled corporation” within the meaning of the Nasdaq corporate governance guidelines. As a “controlled corporation,” we will be exempt from certain requirements, including that a majority of our board of directors be independent under those standards, and that executive compensation and director nominations be overseen by independent directors. However, at the present time, each of our directors, other than Steven Tsavaris, Executive Chairman, and Carlos P. Naudon, President and Chief Executive Officer, would be considered independent under the Nasdaq Stock Market corporate governance listing standards. See “—Board Independence” below.

The following table states our directors’ names, their ages as of December 31, 2016, and the calendar years when they began serving as directors of Ponce De Leon Federal Bank:

Directors	Position	Age	Director Since	Current Term to Expire
James C. Demetriou	Director	70	2009	2018
William Feldman	Director	74	1993	2020
Julio Gurman	Director	80	1994	2019
Nick R. Lugo	Director	74	1999	2018
Carlos P. Naudon	President, Chief Executive Officer and Director	66	2014	2019
Manuel A. Romero	Director	53	2015	2019
Steven Tsavaris	Executive Chairman of the Board	67	1990	2020

The business experience for the past five years of each of our directors is set forth below. The biographies also contain information regarding the person’s experience, qualifications, attributes or skills that caused the board of directors to determine that the person should serve as a director. Unless otherwise indicated, directors have held their positions for the past five years.

James C. Demetriou is the President and Chief Executive Officer of First Management Corp., a property management company located in Astoria, New York, established in 1985 and which has a portfolio of over 130 residential, cooperative, condominium and commercial buildings. Mr. Demetriou is also a partner in the accounting firm, J. Demetriou & Co., established in 1970. In addition, Mr. Demetriou has been a New York licensed real estate broker and sponsoring broker of Archway Realty, Inc., in Astoria, New York since 1985. Furthermore, Mr. Demetriou is the President and Founder of Foxx Capital Funding, Inc. a New York licensed mortgage broker established in 1999.

William Feldman has been investing in and managing commercial and residential real estate properties in the New York metropolitan area for over 30 years. As the present time, Mr. Feldman is managing 13 properties, with ownership interests varying between 12.5% to 50.0%, held by The Feldman Living Trust. Mr. Feldman is also President of the Southern Boulevard Business Improvement District, a not-for-profit entity whose mission is to increase the economic growth and stability of the Southern Boulevard shopping area. Prior to 2013, Mr. Feldman owned several men’s clothing stores.

Julio Gurman is an investor in and manager of commercial and residential real estate properties in the New York metropolitan area. Mr. Gurman is a co-investor/manager of the same 13 properties as Mr. Feldman.

Nick R. Lugo is an investor in real estate properties located in the New York area and holds these investments in several limited liability companies. Mr. Lugo is also President of Nick Lugo Travel Corp., which he founded in 1980. In addition, Mr. Lugo is also the owner and publisher of LaVoz Hispana, a weekly newspaper. Mr. Lugo also founded in 2006 the New York City Hispanic Chamber of Commerce and serves as its Chairman and President. Mr. Lugo is a Director of the Southern Boulevard Business Improvement District.

Carlos P. Naudon has served as President and Chief Operating Officer of Ponce De Leon Federal Bank since 2015, having joined the Board of Directors in 2014. No later than one year after completion of the reorganization, or January 1, 2019, if earlier, Mr. Naudon will become President and Chief Executive Officer of Ponce Bank. Upon completion of the reorganization, Mr. Naudon will become President and Chief Executive Officer of PDL Community Bancorp and President and Chief Operating Officer of Ponce Bank Mutual Holding Company. Prior to becoming President of Ponce De Leon Federal Bank, Mr. Naudon served as a consultant and compliance counsel to Ponce De Leon Federal Bank. Mr. Naudon owns Banking Spectrum, Inc., now a banking publishing company, formerly a bank consulting company. Until 2015, Mr. Naudon was a partner in the law firm of Allister & Naudon. Both of the foregoing firms were established in 1984 to provide services to banking institutions. Mr. Naudon became Of Counsel to the law firm Cullen & Dykman in 2015. Mr. Naudon has also previously served in many senior management positions

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at other companies. Before retiring from his consulting and law firms in 2015, Mr. Naudon was a frequent lecturer and speaker on banking issues, corporate governance, quality assurance and performance incentives. Mr. Naudon has current and previous service in various healthcare and community organizations. Mr. Naudon is a member of the New York State Bar Association, the New York City Hispanic Chamber of Commerce and other professional associations.

Manuel A. Romero is President of Manuel A. Romero, P.C., a professional corporation specializing in personal injury law matters. Mr. Romero is the head trial lawyer at the law firm and has served in that capacity for over 28 years. Mr. Romero serves as a member of the Finance Committee of the New York State Bar Association and teaches trial techniques at Cornell Law School on behalf of the Trial Academy of the New York State Bar Association.

Steven Tsavaris is currently the Chairman of the Board and Chief Executive Officer of Ponce De Leon Federal Bank. No later than one year after completion of the reorganization, or January 1, 2019, if earlier, Mr. Tsavaris will become Executive Chairman, a salaried officer, of Ponce Bank. Upon completion of the reorganization, Mr. Tsavaris will become Chairman of the Board and Chief Executive Officer of Ponce Bank Mutual Holding Company and Executive Chairman, a salaried officer, of PDL Community Bancorp. Mr. Tsavaris joined Ponce De Leon Federal Bank as an Executive Vice President in 1995, became President in 1999, and was made Chief Executive Officer in 2011. In 2013, Mr. Tsavaris became Chairman of the Board.

Executive Officer of Ponce De Leon Federal Bank, Ponce Bank, Ponce Bank Mutual Holding Company and PDL Community Bancorp who is Not a Director

Frank Perez, age 49, was appointed Executive Vice President and Chief Financial Officer of Ponce De Leon Federal Bank in January 2017. Upon completion of the reorganization, Mr. Perez will become Executive Vice President and Chief Financial Officer of Ponce Bank, Ponce Bank Mutual Holding Company and PDL Community Bancorp. Mr. Perez is a certified public accountant and has over 20 years of experience in the banking industry. Until recently, Mr. Perez was the sole employee of Tennessee Commerce Bancorp, Inc., Franklin, Tennessee, a former bank holding company in the process of winding down its residual operations. Prior to joining Ponce De Leon Federal Bank, Mr. Perez was, from January 2015 until July 2016, Executive Vice President and Chief Financial Officer of First Volunteer Bank, Chattanooga, Tennessee, a privately held bank. From May 2012 until January 2015, Mr. Perez was the Executive Vice President and Chief Financial Officer of First Financial Service Corporation, the bank holding company for First Federal Savings Bank of Elizabethtown, Elizabethtown, Kentucky. From August 2008 to February 2012 Mr. Perez was the Chief Financial Officer and Investment Relations Officer of Tennessee Commerce Bancorp, Inc. and its subsidiary, Tennessee Commerce Bank. On January 27, 2012, Tennessee Commerce Bank was closed by the Tennessee Department of Financial Institutions, which appointed the FDIC as receiver. Subsequent to this receivership, Mr. Perez assumed his positions at First Financial Service Corporation and First Federal Savings Bank of Elizabethtown. As a consequence of First Federal Savings Bank of Elizabethtown being designated at that time as a troubled bank by the FDIC, First Federal Savings Bank of Elizabethtown had to file a notice of change of a senior executive officer as required by federal law and regulation. Upon completion of its review, the FDIC issued a notice that it did not object to Mr. Perez's appointment as Chief Financial Officer of First Federal Savings Bank of Elizabethtown.

Executive Officers of Ponce De Leon Federal Bank and Ponce Bank who are Not Directors

The following sets forth information regarding our executive officers who are not directors. Age information is as of December 31, 2016. The executive officers of PDL Community Bancorp and Ponce Bank are elected annually.

Ioannis Kouzilos, age 38, is currently our Senior Vice President, Chief Lending Officer, a position he assumed in March, 2017. Prior to assuming his current position, Mr. Kouzilos was our Senior Vice President, Asset Management. Mr. Kouzilos has been employed by Ponce De Leon Federal Bank since July 2013 and has managed a number of departments, primarily focusing on asset quality, credit risk, asset recovery and lending operations. From April 2011 to June 2013, Mr. Kouzilos was Vice President, Credit Administrator for Alma Bank, New York, New York.

Elizabeth Macias, age 60, is currently our Senior Vice President and Chief Information Systems Officer. In this position, Ms. Macias manages our Information Technology, Vendor Management, Loan Servicing Systems and Facilities Management. Ms. Macias joined Ponce De Leon Federal Bank in August 2015. Prior to this time, Ms. Macias served as Vice President of Information Technology at Interwest National Bank for ten years and has held senior management positions in information technology, management information systems and information security for over 30 years.

Madeline V. Marquez, age 59, is currently our Senior Vice President of SBA/CDFI Initiatives and assumed this position on February 1, 2017. Prior to that time, Ms. Marquez served as Executive Vice President of the Business Initiative Corporation of New York ("BICNY") which is a Certified SBA 504 Lender in New York State. Ms. Marquez held various positions of increasing responsibility with BICNY starting in 1998. In October 2012, Ms. Marquez became Chief Operating Officer of BICNY and Executive Vice President in January 2016.

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David Rodriguez, age 61, has been employed by Ponce De Leon Federal Bank since April 2005. Mr. Rodriguez is currently Senior Vice President, Chief Relationship Manager and was, until March 2017, Senior Vice President and Chief Lending Officer and had held this position since 2007.

Rafael Sanchez, age 43, was appointed our Senior Vice President of Retail and Commercial Banking in November 2016. Mr. Sanchez is responsible for the oversight of the Sales and Marketing Department, Branch Operations Control Department, Regional Commercial Relationship Officers and Retail Banking. Prior to joining Ponce De Leon Federal Bank, Mr. Sanchez has held various positions in retail banking, most recently as Senior Vice President and Regional Manager at Popular Community Bank, Bronx, New York from February 2012 until joining Ponce De Leon Federal Bank.

Board Independence

The board of directors has determined that each of our directors, with the exception of Steven Tsavaris, Executive Chairman, and Carlos P. Naudon, President and Chief Executive Officer, is “independent” as defined in the listing standards of the Nasdaq Stock Market. Mr. Tsavaris and Mr. Naudon are not considered independent because they are executive officers as well as directors. In determining the independence of our directors, the board of directors considered relationships between Ponce De Leon Federal Bank and our directors that are not required to be reported under “—Transactions With Certain Related Persons,” below, consisting of deposit accounts that our directors maintain at Ponce De Leon Federal Bank. In addition, we utilize the services of Foxx Capital Funding, Inc., an independent mortgage broker, for certain real estate transactions, of which Director James C. Demetriou is President. We paid Foxx Capital Funding, Inc. commissions of \$43,250 for the year ended December 31, 2016. For the year ended December 31, 2016, we paid Banking Spectrum, Inc., a company owned by Mr. Naudon, \$5,000. Mr. Naudon is Of Counsel to the law firm of Cullen and Dykman LLP and we paid such law firm \$22,189 in fees during the year ended December 31, 2016.

Transactions With Certain Related Persons

The Sarbanes-Oxley Act of 2002 generally prohibits publicly traded companies from making loans to their executive officers and directors, but it contains a specific exemption from such prohibition for loans made by federally insured financial institutions, such as Ponce De Leon Federal Bank and Ponce Bank, to their executive officers and directors in compliance with federal banking regulations.

Ponce De Leon Federal Bank currently has outstanding mortgage loans, either directly or indirectly, to directors Demetriou, Feldman, Gurman, Lugo and Naudon. All loans to directors and executive officers are made in the ordinary course of business, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to Ponce De Leon Federal Bank and for which management believes neither involve more than the normal risk of collection nor present other unfavorable features. Since January 1, 2015, we and our subsidiaries have not had any transaction or series of transactions, or business relationships, nor are any such transactions or relationships proposed, in which the amount involved exceeds \$120,000 and in which our directors or executive officers have a direct or indirect material interest.

Meetings and Committees of the Board of Directors

We conduct business through meetings of our board of directors and its committees, including an Audit Committee and a Governance Committee. During the year ended December 31, 2016, the board of directors of Ponce De Leon Federal Bank met 13 times. It is expected that the board of directors of PDL Community Bancorp will establish a standing audit committee, which will operate under a written charter, which will govern its composition, responsibilities and operations.

PDL Community Bancorp’s Audit Committee will consist of all directors with the exception of Mr. Tsavaris and Mr. Naudon. Compensation and nominating decisions will be made by the board of directors, with the exception of Mr. Naudon and Mr. Tsavaris, as permitted under Nasdaq Stock Market rules for “Controlled Companies.” We will be a Controlled Company because Ponce Bank Mutual Holding Company will own a majority of our outstanding shares of common stock.

Corporate Governance Policies and Procedures

In addition to establishing committees of our board of directors, PDL Community Bancorp will adopt several policies to govern the activities of both PDL Community Bancorp and Ponce Bank, including corporate governance policies and a code of business conduct and ethics. The corporate governance policies are expected to involve such matters as the following:

- the composition, responsibilities and operation of our board of directors;
- the establishment and operation of board committees, including audit, nominating and corporate governance and compensation committees;

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- convening executive sessions of independent directors; and
- our board of directors' interaction with management and third parties.

The code of business conduct and ethics, which is expected to apply to all employees and directors, will address conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and regulations. In addition, the code of business conduct and ethics will be designed to deter wrongdoing and to promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations.

Executive Compensation

Summary Compensation Table. The table below summarizes the total compensation paid to or earned by Ponce De Leon Federal Bank's Chairman and Chief Executive Officer, President and Chief Operating Officer and former Executive Vice President and Chief Financial Officer for the year ended December 31, 2016. Each individual listed in the table below is referred to as a "named executive officer."

Summary Compensation Table						
Name and principal position	Year	Salary (\$)	Bonus (\$)(1)	All other Compensation (\$)(2)	Total (\$)	
Steven Tsavaris, Chairman and Chief Executive Officer	2016	600,000	125,000	100,777	825,777	
Carlos P. Naudon, President and Chief Operating Officer	2016	550,000	125,000	144,077	819,077	
Mario Pastorino, Executive Vice President and Chief Financial Officer (3)	2016	192,000	15,000	23,431	230,431	

Name	401(k) Profit Sharing (\$)	Health Insurance (\$)	Automobile Allowance (\$)	Deferred Compensation Plan (\$)	Supplemented Compensation (\$)	Total All Other Compensation (\$)
Steven Tsavaris	7,950	16,897	15,930	—	60,000	100,777
Carlos P. Naudon	—	16,897	22,180	50,000	55,000	144,077
Mario Pastorino (3)	6,534	16,897	—	—	—	23,431

- (1) Represents discretionary cash bonuses, which were paid during the year ending December 31, 2016.
- (2) A break-down of the various elements of compensation in this column is set forth in the following table:
- (3) Mr. Pastorino's employment with Ponce De Leon Federal Bank terminated effective December 31, 2016. In connection with Mr. Pastorino's termination of employment with the Ponce De Leon Federal Bank, Ponce De Leon Federal Bank and Mr. Pastorino entered into a settlement and general release agreement. This agreement provides for a severance payment to Mr. Pastorino of \$144,000 to be paid over a nine month period from January 2017 to September 2017, together with continued medical insurance coverage for the same period of time. Mr. Pastorino has agreed to release Ponce De Leon Federal Bank from all claims, keep confidential all non-public Bank information as to which he has knowledge, and not make derogatory comments about Ponce De Leon Federal Bank and its directors, officers and employees.

Employment Agreements

Ponce De Leon Federal Bank. Ponce De Leon Federal Bank recently entered into employment agreements with Steven A. Tsavaris, Carlos P. Naudon and Frank Perez. The agreements reflect Mr. Tsavaris' position as Chairman of the Board of Directors and Chief Executive Officer, Mr. Naudon's position as President and Chief Operating Officer, and Mr. Perez's position as Executive Vice President and Chief Financial Officer. The agreement with Mr. Tsavaris provides that no later than one year after the effective date of the reorganization, or January 1, 2019, if earlier, Mr. Tsavaris shall resign from the position of Chief Executive Officer of Ponce Bank and continue as Executive Chairman, a salaried officer of Ponce Bank. The agreement with Mr. Naudon provides that no later than one year after the effective date of the reorganization, or January 1, 2019, if earlier, Mr. Naudon shall relinquish the position of Chief Operating Officer of Ponce Bank, continue as President, and shall assume the position of Chief Executive Officer of Ponce Bank.

The agreements with Messrs. Tsavaris and Naudon are each for a three-year term beginning on March 16, 2017, while the agreement with Mr. Perez is for a one-year term beginning on that date. Each agreement is automatically extended for an additional year unless Ponce De Leon Federal Bank or the executive provides a notice of nonrenewal to the other party at least 90 days prior to the end of the original or any extended term.

The employment agreements provide for minimum annual base salaries of \$660,000, \$605,000 and \$190,000, respectively for Messrs. Tsavaris, Naudon and Perez. Each employment agreement also provides for discretionary incentive and/or bonus compensation, participation on generally applicable terms and conditions in other compensation and fringe benefit plans, and certain perquisites, four weeks paid vacation, and if the executive becomes disabled, long term disability benefits for the then remaining term of the agreement equal to 100% of the executive's base salary. In addition, the agreements for Messrs. Tsavaris and Naudon provide for the use of an automobile and reimbursement of automobile-related expenses.

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At any time Ponce De Leon Federal Bank may terminate an executive's employment, with or without cause, and the executive may resign, with or without good reason. In the event Ponce De Leon Federal Bank terminates Mr. Tsavaris or Mr. Naudon without cause or the executive resigns for good reason, as such terms are defined in the agreements, the executive will be entitled to the following severance benefits:

- An amount equal to three times (two times in the event of resignation for good reason) the sum of (i) the executive's annual base salary in effect at the time of his termination; and (ii) annual incentive compensation and any other compensation received by the executive for the calendar year immediately preceding termination.
- An amount equal to the aggregate value of any shares of restricted stock, stock options or other awards issued to the executive under any plan adopted by Ponce De Leon Federal Bank or any affiliate of Ponce De Leon Federal Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested.
- An amount equal to the pro-rata annual bonus, if any, that the executive would have earned for the year in which the termination occurs based on the achievement of applicable performance goals for such year.
- If the executive is eligible for and elects to receive COBRA health continuation coverage, Ponce De Leon Federal Bank will pay toward the cost of COBRA coverage for the executive and his family the amount Ponce De Leon Federal Bank would have paid to provide health insurance to the executive if his employment had continued. Such payments shall continue for 24 months or the executive's COBRA health continuation period, whichever ends earlier.

In the event Ponce De Leon Federal Bank terminates Mr. Perez without cause or he resigns for good reason, Mr. Perez will be entitled to the following severance benefits:

- An amount equal to 1.5 times (1.0 times in the event of resignation for good reason) the sum of (i) his annual base salary in effect at the time of his termination; and (ii) annual incentive compensation and any other compensation received by Mr. Perez for the calendar year immediately preceding termination.
- An amount equal to the aggregate value of any shares of restricted stock, stock options or other awards issued to Mr. Perez under any plan adopted by Ponce De Leon Federal Bank or any affiliate of Ponce De Leon Federal Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested.
- An amount equal to the pro-rata annual bonus, if any, that Mr. Perez would have earned for the year in which the termination occurs based on the achievement of applicable performance goals for such year.
- If Mr. Perez is eligible for and elects to receive COBRA health continuation coverage, Ponce De Leon Federal Bank will pay toward the cost of COBRA coverage for Mr. Perez and his family the amount Ponce De Leon Federal Bank would have paid to provide health insurance to Mr. Perez if his employment had continued. Such payments shall continue for 24 months or Mr. Perez's COBRA health continuation period, whichever ends earlier.

For purposes of the above severance benefits, "good reason" for resigning includes: a reduction in the executive's base salary; a material reduction in the executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program; a relocation of the executive's principal place of employment outside of Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey; a material breach by Ponce De Leon Federal Bank of any material provision of the employment agreement; a material adverse change in the executive's title, authority, duties or responsibilities (other than temporarily while the executive is physically or mentally incapacitated or as required by applicable law or as contemplated by the employment agreement); a material adverse change in the reporting structure applicable to the executive; or the failure of Ponce De Leon Federal Bank to extend the employment agreement for an additional year. In the case of Messrs. Tsavaris and Naudon, "good reason" also includes the failure of the Executive to be reappointed to the Board of Directors of Ponce De Leon Federal Bank. The basis for good reason for any executive will not constitute good reason unless the executive gives Ponce De Leon Federal Bank notice of the basis for good reason within 30 days after the initial existence of the basis for good reason and Ponce De Leon Federal Bank does not cure the basis for good reason within 30 days after having received such notice.

In the event Messrs. Tsavaris, Naudon or Perez's employment is involuntarily terminated by Ponce De Leon Federal Bank for reasons other than for cause, disability or death, or the executive voluntarily resigns for good reason, in either case after a change in control of Ponce De Leon Federal Bank, then in lieu of the severance benefits described above executive will be entitled to the following severance benefits:

- An amount equal to 2.99 times his highest annual compensation for services rendered that was includible in the executive's gross income (partial years being annualized) for the three taxable years immediately preceding the year during which the change in control occurred (or such shorter period as the executive was employed).

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- An amount equal to the aggregate value of any shares of restricted stock, stock options or other awards issued to the executive under any plan adopted by Ponce De Leon Federal Bank or any affiliate of Ponce De Leon Federal Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested.
- If the executive is eligible for and elects to receive COBRA health continuation coverage, Ponce De Leon Federal Bank will pay toward the cost of COBRA coverage for the executive and his family the amount Ponce De Leon Federal Bank would have paid to provide health insurance to the executive if his employment had continued. Such payments shall continue for 24 months or the executive's COBRA health continuation period, whichever ends earlier.

Any severance payments required under the employment agreements in connection with a change in control of Ponce De Leon Federal Bank will be reduced to the extent necessary to avoid penalties under Section 280G of the Code.

In the event Messrs. Tsavaris, Naudon or Perez's employment is involuntarily terminated by Ponce De Leon Federal Bank for cause or the executive resigns without good reason, the executive shall be entitled to receive only accrued but unpaid salary, vacation pay and bonuses, plus such additional benefits as the executive may be entitled to under any employee benefit plans sponsored by Ponce De Leon Federal Bank.

The employment agreements with Messrs. Tsavaris, Naudon and Perez each provide that during the term of the agreement and for one year thereafter, the executive is generally prohibited from:

- competing with Ponce De Leon Federal Bank within any county or borough in which Ponce Bank Mutual Holding Company, PDL Community Bancorp or Ponce De Leon Federal Bank or any of their affiliates maintains or has pending as of the termination date a filing for permission to establish a branch, loan production office, or mortgage production office;
- soliciting customers and employees of Ponce De Leon Federal Bank; or
- interfering with any of the contracts or relationships of the Ponce Bank Mutual Holding Company, PDL Community Bancorp, Ponce De Leon Federal Bank or any of their affiliates with any independent contractor, customer, client or supplier.

Ponce Bank Mutual Holding Company and PDL Community Bancorp. The Board of Directors of Ponce De Leon Federal Bank also approved the form of employment agreements to be entered into between Ponce Bank Mutual Holding Company, PDL Community Bancorp and each of Messrs. Tsavaris, Naudon and Perez. The agreements reflect Mr. Tsavaris' positions as Chairman of the Board of Directors and Chief Executive Officer of Ponce Bank Mutual Holding Company and Executive Chairman of the Board of Directors of PDL Community Bancorp, a salaried officer; Mr. Naudon's positions as President and Chief Operating Officer of Ponce Bank Mutual Holding Company and President and Chief Executive Officer of PDL Community Bancorp; and Mr. Perez's positions as Executive Vice President and Chief Financial Officer of Ponce Bank Mutual Holding Company and PDL Community Bancorp.

The agreements with Messrs. Tsavaris and Naudon are each to be for a three-year term beginning on the date they are executed, while the agreement with Mr. Perez is for a one-year term beginning on the date it is executed. The agreements are expected to be executed on the date of the completion and effectiveness of the reorganization, but not before. Each agreement is automatically extended for an additional year unless Ponce Bank Mutual Holding Company and PDL Community Bancorp or the executive provides a notice of nonrenewal to the other party at least 90 days prior to the end of the original or any extended term.

The employment agreements with Messrs. Tsavaris, Naudon and Perez each provides compensation and benefits substantially similar to those provided by the corresponding employment agreements between Ponce De Leon Federal Bank and the executive, except that the compensation and benefits under an employment agreement with Ponce Bank Mutual Holding Company and PDL Community Bancorp are reduced by the comparable compensation and benefits provided by the corresponding employment agreement with Ponce De Leon Federal Bank.

Deferred Compensation Plan

Ponce De Leon Federal Bank has adopted a nonqualified deferred compensation plan that covers certain members of management or highly compensated employees designated by Ponce De Leon Federal Bank. Mr. Naudon is the only executive currently designated to participate in the plan. Under the plan Ponce De Leon Federal Bank periodically makes contributions to an account designated for the benefit of Mr. Naudon. Under the plan, contributions are discretionary in amount, however, the employment agreement between Ponce De Leon Federal Bank and Mr. Naudon requires Ponce De Leon Federal Bank to make contributions to the plan during the term of the employment agreement equal to 10% of his base salary. Ponce De Leon Federal Bank contributed \$50,000 for the year ended December 31, 2016. The account is periodically credited with earnings based on investments within the account as directed by Mr. Naudon. At December 31, 2016, the total amount accrued under the plan, including earnings, was \$51,508.

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Amounts credited under the plan are fully vested at all times and will be distributed to Mr. Naudon upon the termination of his employment with Ponce De Leon Federal Bank for any reason or a change in control of Ponce De Leon Federal Bank. In the event of Mr. Naudon's death while employed by Ponce De Leon Federal Bank, the total amount credited under the plan for the benefit of Mr. Naudon will be distributed to his designated beneficiaries.

Benefit Plans and Agreements

401(k) Plan. Ponce De Leon Federal Bank maintains the Ponce De Leon Bank 401(k) Profit Sharing Plan, a tax-qualified defined contribution plan for eligible employees (the "401(k) Plan"). The named executive officers are eligible to participate in the 401(k) Plan just like other employees. An employee must attain age 21 and complete one year of service to be eligible to participate in the 401(k) Plan.

Under the 401(k) Plan a participant may elect to defer, on a pre-tax basis, the maximum amount as permitted by the Internal Revenue Code. For 2017, the salary deferral contribution limit is \$18,000; provided, however, that a participant over age 50 may contribute an additional \$6,000 to the 401(k) Plan for a total of \$24,000. In addition to salary deferral contributions, Ponce De Leon Federal Bank may make discretionary matching contributions, discretionary profit sharing contributions or safe harbor contributions to the 401(k) Plan. Discretionary matching contributions are allocated on the basis of salary deferral contributions. Discretionary profit sharing contributions are based on three classifications set forth in the Plan: (i) Class A – Chairman, President, and Executive Vice Presidents; (ii) Class B – Senior Vice Presidents, Chief Vice Presidents and Assistant Vice Presidents; and (iii) Class C – all other eligible employees. The contribution for a class will be the same percentage of compensation for all participants in that class. If Ponce De Leon Federal Bank decides to make a safe harbor contribution for a plan year, each participant will receive a contribution equal to 3% of his or her compensation for the plan year. Ponce De Leon Federal Bank only made a safe harbor contribution to the 401(k) Plan for the plan year ended December 31, 2016.

A participant is always 100% vested in his or her salary deferral contributions and safe harbor contributions. Discretionary matching and profit sharing contributions are 20% vested after two years of service, plus an additional 20% for each additional year of service; so all participants are fully vested after six years of service. Participants also will become fully vested automatically upon normal retirement, death or disability, a change in control, or termination of the 401(k) Plan. Generally, participants will receive distributions from the 401(k) Plan upon separation from service in accordance with the terms of the plan document. Expense recognized in connection with the 401(k) Plan totaled approximately \$264,000 for the year ended December 31, 2016.

Pension Plan. Ponce De Leon Federal Bank maintains the Ponce De Leon Federal Savings Bank Retirement Income Plan, a tax-qualified defined benefit pension plan for eligible employees (the "Pension Plan"). Effective May 31, 2007, the Pension Plan was frozen. No additional benefits accrue under the Pension Plan after that date. All participants in the Pension Plan are fully vested in their benefits accrued as of that date and are entitled to receive their benefits upon retirement. The Board of Directors is considering terminating the Pension Plan during 2017. Any such termination would be conditioned upon the approval by the Pension Benefit Guaranty Corporation, the federal entity that insures pension benefits. In connection with the termination, each participant will be given the choice to receive an annuity to provide his or her benefits under the Pension Plan or a lump sum cash distribution equal to the present value of his or her accrued benefits. As of December 31, 2016, the Pension Plan had \$15.0 million in assets. Ponce De Leon Federal Bank estimates that the value of termination benefits under the Pension Plan will be \$16.7 million to \$18.3 million. In the event approval by the Pension Benefit Guaranty Corporation is sought, and as a condition thereof, Ponce De Leon Federal Bank will agree to contribute to the Pension Plan any amount equal to the excess of the value of termination benefits in excess of the value of the Pension Plan's assets on termination. Based on the Pension Plan's assets and liabilities at December 31, 2016, this could require a contribution of a minimum of \$1.7 million and a maximum of \$3.3 million upon termination. If the value of termination benefits is less than the value of the Pension Plan's assets on termination, the amount of any excess will be either applied to increase participants' termination benefits or transferred to the employee stock ownership plan described below. Any amounts transferred to the employee stock ownership plan will be used to purchase PDL Community Bancorp common stock, which will be allocated among participants in the employee stock ownership plan over a period not exceeding seven years.

Employee Stock Ownership Plan. In connection with the reorganization, we have adopted an employee stock ownership plan ("ESOP") for eligible employees. The named executive officers are eligible to participate in the ESOP just like other employees. Eligible employees will begin participation in the ESOP on the later of the effective date of the reorganization or upon the first entry date commencing on or after the eligible employee's completion of one year of service and attainment of age 21.

The ESOP trustee is expected to purchase, on behalf of the ESOP, 3.92% of the total number of shares of PDL Community Bancorp common stock outstanding (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation). We anticipate that the ESOP will fund its stock purchase with a loan from PDL Community Bancorp equal to the aggregate purchase price of the common stock. The loan will be repaid principally through Ponce Bank's discretionary contributions

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to the ESOP over the anticipated 15 year term of the loan and any dividends payable on common stock held by the ESOP. The interest rate for the ESOP loan is expected to equal the prime rate, as published in The Wall Street Journal, on the closing date of the offering. See “Pro Forma Data.”

The trustee of the trust funding the ESOP will hold the shares purchased by the ESOP in an unallocated suspense account, and shares will be released from the suspense account on a pro-rata basis as we repay the loan. The trustee will allocate the shares released among participants on the basis of each participant’s proportional share of compensation relative to all participants. A participant will become 100% vested in his or her account balance after three years of service. Participants who were employed by Ponce De Leon Federal Bank immediately prior to the offering will receive credit for vesting purposes for years of service prior to adoption of the ESOP. Participants also will become fully vested automatically upon normal retirement, death or disability, a change in control, or termination of the ESOP. Generally, participants will receive distributions from the ESOP upon separation from service in accordance with the terms of the plan document. The ESOP reallocates any unvested shares forfeited upon termination of employment among the remaining participants.

The ESOP will permit participants to direct the trustee as to how to vote the shares of common stock allocated to their accounts. The trustee will vote unallocated shares and allocated shares for which participants do not timely provide instructions on any matter in the same ratio as those shares for which participants provide timely instructions, subject to fulfillment of the trustee’s fiduciary responsibilities.

Under applicable accounting requirements, Ponce Bank will record a compensation expense for the ESOP at the fair market value of the shares as they are committed to be released from the unallocated suspense account to participants’ accounts, which may be more or less than the original issue price. The compensation expense resulting from the release of the common stock from the suspense account and allocation to plan participants will result in a corresponding reduction in the earnings of PDL Community Bancorp.

ESOP Equalization Plan

In connection with the reorganization, Ponce De Leon Federal Bank has adopted the Ponce Bank ESOP Equalization Plan, a nonqualified plan that provides notional contributions for certain executives approved by the Compensation Committee of Ponce De Leon Federal Bank who are prevented from receiving full contributions to and allocation under the ESOP due to limitations on: (i) the maximum annual compensation that may be recognized under the ESOP for benefit computation purposes pursuant to Code Section 401(a)(17) of the Code (\$270,000 for 2017); and (ii) the maximum annual additions to the ESOP pursuant to Code Section 415(c). The Plan is designed to equalize contributions and allocations for those that fall below and above these limitations. Currently, only Mr. Tsavaris and Mr. Naudon are approved to participate in the Ponce Bank ESOP Equalization Plan. No amounts will be credited under the Ponce Bank ESOP Equalization Plan until contributions are made to the ESOP.

A participant’s balance under the Ponce Bank ESOP Equalization Plan will be paid to him in a single lump sum within 90 days after his termination of service. However, as required by Section 409A of the Code, which governs deferred compensation plans, payments to certain specified employees of a publicly-traded corporation following separation from service cannot be paid until six months following separation from service except following the death of the participant. Any payment that would have been distributed from the Ponce Bank ESOP Equalization Plan to such a participant during the six-month period following separation from service, will be accumulated and paid to the participant in a single lump sum as soon as administratively practicable following the end of the six-month period or the participant’s death, if applicable.

The Ponce Bank ESOP Equalization Plan will be entirely unfunded. Employees who participate in the Ponce Bank ESOP Equalization Plan have only the rights of general unsecured creditors with respect to any rights under the Ponce Bank ESOP Equalization Plan.

Director Compensation

Directors earn an annual fee of \$48,000 per year. Directors currently receive fees of \$500 per meeting for service on the committees of the board of directors. Executive officers serving on the board of directors do not receive directors compensation for such service.

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The following table sets forth for the year ended December 31, 2016 certain information as to the total remuneration we paid to our directors who were not executive officers.

Name	Fees earned or paid in cash (\$)	All Other Compensation (\$)	Total (\$)
James C. Demetriou	60,000	—	60,000
William Feldman	54,000	16,897	70,897
Julio Gurman	54,000	16,897	70,897
Nick R. Lugo	54,000	23,429	77,429
Manuel A. Romero	54,000	7,480	61,480

Each person who will serve as a director of PDL Community Bancorp will also serve as a director of Ponce Bank and will initially earn a monthly fee only in his or her capacity as a board or committee member of Ponce Bank. Upon completion of the reorganization, additional director fees may be paid for PDL Community Bancorp director meetings although no such determination has been made at this time.

Benefits to be Considered Following Completion of the Stock Offering

Following the stock offering, we intend to adopt one or more new stock-based benefit plans that will provide for grants of stock options and awards of shares of restricted common stock. In accordance with applicable regulations, we anticipate that the plan will authorize a number of stock options and a number of shares of restricted common stock, not to exceed 4.9% and 1.96%, respectively, of the shares issued in the offering (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation). These limitations may not apply if the plans are implemented more than one year after the reorganization and offering, subject to any applicable regulatory approvals.

The stock-based benefit plans will not be established sooner than six months after the stock offering and, if adopted within one year after the stock offering, the plans must be approved by a majority of the votes eligible to be cast by our stockholders, as well as a majority of the votes eligible to be cast by our stockholders other than Ponce Bank Mutual Holding Company. If stock-based benefit plans are established more than one year after the stock offering, they must be approved by a majority of votes cast by our stockholders, as well as a majority of votes cast by our stockholders other than Ponce Bank Mutual Holding Company.

Certain additional restrictions would apply to our stock-based benefit plans if adopted within one year after the stock offering, including:

- non-employee directors in the aggregate may not receive more than 30% of the options and shares of restricted common stock authorized under the plans;
- any non-employee director may not receive more than 5% of the options and restricted stock awards authorized under the plans;
- any officer or employee may not receive more than 25% of the options and restricted stock awards authorized under the plans;
- the options and shares of restricted common stock may not vest more rapidly than 20% per year, beginning on the first anniversary of stockholder approval of the plans; and
- accelerated vesting is not permitted except for death, disability or upon a change in control of PDL Community Bancorp or Ponce Bank.

We have not yet determined whether we will present stock-based benefit plans for stockholder approval within one year following the completion of the reorganization or whether we will present plans for stockholder approval more than one year after the completion of the reorganization. In the event of changes in applicable regulations or policies regarding stock-based benefit plans, including any regulations or policies restricting the size of awards and vesting of benefits as described above, the restrictions described above may not be applicable.

We may obtain the shares needed for our stock-based benefit plans by issuing additional shares of common stock from authorized but unissued shares or through purchases of shares in the open market or otherwise.

SUBSCRIPTIONS BY DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding intended common stock subscriptions by each of our directors and executive officers and their associates, and by all directors, officers and their associates as a group. However, there can be no assurance that any such person or group will purchase any specific number of shares of our common stock. In the event the individual maximum purchase limitation is increased, persons subscribing for the maximum amount may increase their purchase order. Directors and officers will purchase shares of common stock at the same \$10.00 purchase price per share and on the same terms as other purchasers in the offering. This table excludes shares of common stock to be purchased by the employee stock ownership plan, as well as any stock awards or stock option grants that may be made no earlier than six months after the completion of the offering. Purchases by directors, officers and their associates will be included in determining whether the required minimum number of shares has been subscribed for in the offering. The shares being acquired by the directors, executive officers and their associates are being acquired for investment purposes, and not with a view towards resale. Our directors and executive officers will be subject to the same minimum purchase requirements and purchase limitations as other participants in the offering set forth under “The Reorganization and Offering—Limitations on Purchase of Shares.”

Name and Title	Number of Shares (1)	Aggregate Purchase Price (1)	Percent at Minimum of Offering Range (2)
James C. Demetriou, Director	50,000	\$ 500,000	*
William Feldman, Director	30,000	\$ 300,000	*
Julio Gurman, Director	30,000	\$ 300,000	*
Nick R. Lugo, Director	50,000	\$ 500,000	*
Carlos P. Naudon, President, Chief Executive Officer and Director	30,000	\$ 300,000	*
Manuel A. Romero, Director	30,000	\$ 300,000	*
Steven Tsavaris, Executive Chairman of the Board	50,000	\$ 500,000	*
Ioannis Kouzilos, Senior Vice President, Chief Lending Officer	5,000	\$ 50,000	*
Elizabeth Macias, Senior Vice President and Chief Information Systems Officer	5,000	\$ 50,000	*
Madeline V. Marquez, Senior Vice President of SBA/CDFI Initiatives	300	\$ 3,000	*
Frank Perez, Executive Vice President and Chief Financial Officer	3,000	\$ 30,000	*
David Rodriquez, Senior Vice President and Chief Relationship Manager	500	\$ 5,000	*
Rafael Sanchez, Senior Vice President of Retail and Commercial Banking	0	\$ 0	*
All directors and executive officers as a group (13) persons	<u>283,800</u>	<u>\$2,838,000</u>	<u>5.3%</u>

* Less than 1.0%.

- (1) Includes purchases by the named individual’s spouse and other relatives of the named individual, if applicable. Other than as set forth above, the named individuals are not aware of any other purchases by a person who or entity that would be considered an associate of the named individuals under the plan of reorganization.
- (2) At the adjusted maximum of the offering range, directors and executive officers would own 3.4% of our outstanding shares of common stock.

THE REORGANIZATION AND OFFERING

The board of directors of Ponce De Leon Federal Bank has approved the plan of reorganization. The plan of reorganization must also be approved by Ponce De Leon Federal Bank's members. A special meeting of members has been called for this purpose. We have filed an application with respect to the reorganization and stock offering with the Federal Reserve Board, and the approval of the Federal Reserve Board is required before we can consummate the reorganization and stock offering. We also have filed certain applications with respect to the reorganization with the Office of the Comptroller of the Currency and the FDIC. The final approvals of the Federal Reserve Board, the Office of the Comptroller of the Currency and the FDIC are required before we can consummate the reorganization and stock offering. Any approval by the Federal Reserve Board, the Office of the Comptroller of the Currency and the FDIC does not constitute a recommendation or endorsement of the plan of reorganization.

General

On November 17, 2016, our board of directors unanimously adopted the plan and on April 7, 2017 our board of directors unanimously adopted amendment No. 1 to the plan pursuant to which we will reorganize from a federally chartered mutual savings association into a two-tier federal mutual holding company structure. After the reorganization, PDL Community Bancorp will be the mid-tier stock holding company and Ponce Bank Mutual Holding Company will be the top-tier mutual holding company. After the offering, subscribers in the offering, including our employee stock ownership plan, will own 45%, Ponce Bank Mutual Holding Company will own 51.7% and our charitable foundation will own 3.3% of the outstanding shares of common stock of PDL Community Bancorp.

Consummation of the reorganization and stock offering is subject to, among other things, approval of the plan of reorganization, as amended, by the members of Ponce De Leon Federal Bank as of the voting record date. A special meeting of members has been called for this purpose, to be held on [meeting date]. The reorganization will be completed as follows, or in any manner approved by regulators that is consistent with the purposes of the plan of reorganization and applicable laws and regulations:

- (i) Ponce De Leon Federal Bank will organize a stock savings association as a wholly owned subsidiary ("Stock Bank");
- (ii) After Stock Bank receives approval from the FDIC for insurance of accounts and the FDIC has issued it a certificate number, Ponce De Leon Federal Bank will transfer pursuant to a purchase and assumption agreement all of its assets and liabilities, except \$200,000 in cash, to Stock Bank, and Stock Bank will be the stock savings association resulting from the reorganization, including the purchase and assumption transaction pursuant to the plan;
- (iii) Ponce De Leon Federal Bank will amend its charter and bylaws to read in the form of a federal mutual holding company to become Ponce Bank Mutual Holding Company;
- (iv) Ponce Bank Mutual Holding Company will organize PDL Community Bancorp as a wholly-owned subsidiary, and transfer \$1,000 to PDL Community Bancorp in exchange for 100 shares of PDL Community Bancorp common stock; and
- (v) Ponce Bank Mutual Holding Company will transfer all of the initially issued stock of the Stock Bank to PDL Community Bancorp in exchange for additional shares of PDL Community Bancorp common stock, and the Stock Bank will become a wholly-owned subsidiary of PDL Community Bancorp, operating under the name Ponce Bank.

Concurrently with the reorganization, PDL Community Bancorp will offer for sale 45% of its common stock representing 45% of the pro forma market value of PDL Community Bancorp.

We have mailed to each person eligible to vote at the special meeting a proxy statement containing information concerning the business purposes of the reorganization and the effects of the reorganization on voting rights, liquidation rights, existing savings accounts, deposit insurance, loans and Ponce De Leon Federal Bank's business. The proxy statement also describes the manner in which the plan may be amended or terminated. Included with the proxy statement is a proxy card that can be used to vote on the plan.

The following is a summary of the material aspects of the plan of reorganization, the subscription offering, and the community offering. The plan of reorganization should be consulted for a more detailed description of its terms.

Reasons for the Reorganization

The primary purpose of the reorganization is to establish a holding company and to reorganize Ponce De Leon Federal Bank to the stock form of ownership in order to compete and expand more effectively in the financial services marketplace. The stock form of ownership is the corporate form used by commercial banks, most major businesses and a large number of savings institutions. The reorganization also will enable customers, employees, management and directors to have an equity ownership interest in our company. Management believes that this will enhance the long-term growth and performance of Ponce Bank and PDL Community Bancorp by enabling us to attract and retain qualified employees who have a direct interest in our financial success and that customer ownership may enhance our connection with our customers. The reorganization will permit us to issue and sell capital stock, which is a source of capital not available to mutual savings institutions. The reorganization also will give us greater flexibility to structure and finance the expansion of our operations and increase our capital to support future growth and profitability, including the potential acquisition of other financial institutions, and to diversify into other financial services, to the extent permissible by applicable law and regulation. Although there are no current arrangements, understandings or agreements regarding any such opportunities, we will be in a position after the reorganization, subject to regulatory limitations and our financial condition, to take advantage of any such opportunities that may arise, and to compete more effectively in the financial services marketplace. The reorganization and the capital raised in the offering are expected to increase our lending capacity by providing us with additional capital to support new loans and higher lending limits, support the growth of our banking franchise, provide an additional cushion against unforeseen risk and expand our asset base. In addition, the contribution to the charitable foundation will not only complement our existing charitable activities but also enable the communities that we serve to share in our long-term growth. Lastly, the reorganization will enable us to better manage our capital by providing broader investment opportunities through the holding company structure and by enabling us to repurchase our common stock as market conditions permit. Although the reorganization and offering will create a stock savings institution and stock holding company, only a minority of the common stock will be offered for sale in the offering. As a result, our mutual form of ownership and its ability to provide community-oriented financial services will be preserved through the mutual holding company structure.

Our board of directors believes that the advantages of the mutual holding company structure outweigh the potential disadvantages of the mutual holding company structure to minority stockholders, including the inability of stockholders other than Ponce Bank Mutual Holding Company to own a majority of the common stock of PDL Community Bancorp. A majority of our voting stock will be owned by Ponce Bank Mutual Holding Company, which will be controlled by its board of directors. Although this structure will permit management to focus on our long-term business strategy for growth and capital redeployment without undue pressure from stockholders, it will also serve to perpetuate our existing management and directors. Ponce Bank Mutual Holding Company will be able to elect all the members of PDL Community Bancorp's board of directors, and will be able to control the outcome of substantially all matters presented to our stockholders for resolution by vote. No assurance can be given that Ponce Bank Mutual Holding Company will not take action adverse to the interests of stockholders other than Ponce Bank Mutual Holding Company. For example, Ponce Bank Mutual Holding Company could prevent the sale of control of PDL Community Bancorp, defeat a candidate for the board of directors of PDL Community Bancorp, prevent stockholders from forcing a second step conversion transaction that such stockholders may find advantageous or other proposals put forth by stockholders.

Since we will not be offering all of our common stock for sale in the offering, the reorganization will result in less capital raised in comparison to a standard mutual-to-stock conversion which we are not undertaking at this time. The reorganization, however, will allow us to raise additional capital in the future because a majority of our common stock will be available for sale in the event of a conversion of Ponce Bank Mutual Holding Company to stock form. Our board of directors has determined that offering 45% of our to be outstanding shares of common stock for sale in the offering allows for an efficient use of the net proceeds by PDL Community Bancorp and Ponce Bank over the next several years.

The reorganization does not preclude the conversion of Ponce Bank Mutual Holding Company from the mutual to stock form of organization in the future. No assurance can be given when, if ever, Ponce Bank Mutual Holding Company will convert to stock form or what conditions the Federal Reserve Board or other regulatory agencies may impose on such a transaction. See "Summary—Possible Conversion of Ponce Bank Mutual Holding Company to Stock Form."

Effects of the Reorganization and Offering on Depositors and Borrowers of Ponce De Leon Federal Bank

Continuity. While the reorganization is being accomplished, and after its completion, our routine business of accepting deposits and making loans will continue without interruption. Ponce Bank will continue to be subject to regulation by the Office of the Comptroller of the Currency and the FDIC. After the reorganization, we will continue to provide services for depositors and borrowers under current policies by our management and staff.

Liquidation Rights. Following the completion of the reorganization, all depositors who had liquidation rights with respect to Ponce De Leon Federal Bank as of the effective date of the reorganization will continue to have such rights solely with respect to Ponce Bank Mutual Holding Company, so long as they continue to hold their deposit accounts with Ponce Bank. In addition, all persons who become depositors of Ponce Bank subsequent to the reorganization will have such liquidation rights with respect to Ponce Bank Mutual Holding Company.

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Deposit Accounts and Loans. Under the plan of reorganization, each depositor of Ponce De Leon Federal Bank at the time of the reorganization will automatically continue as a depositor after the reorganization, and each such deposit account will remain the same with respect to deposit balance, interest rate and other terms, except to the extent such deposit is reduced by withdrawals to purchase common stock in the offering. All insured deposit accounts of Ponce Bank will continue to be federally insured by the FDIC up to the legal maximum limit in the same manner as deposit accounts existing in Ponce De Leon Federal Bank immediately prior to the reorganization. Furthermore, no loan outstanding will be affected by the reorganization, and the amounts, interest rates, maturity and security for each loan will remain the same as they were prior to the reorganization.

Voting Rights. Following the completion of the reorganization and offering, members of Ponce De Leon Federal Bank will no longer have voting rights in Ponce Bank, but will have voting rights in Ponce Bank Mutual Holding Company. Following the completion of the reorganization and offering, voting rights in PDL Community Bancorp will be held exclusively by its stockholders. Each share of outstanding common stock held by a stockholder will entitle the stockholder to one vote on matters considered by PDL Community Bancorp stockholders. Although PDL Community Bancorp will have the power to issue shares of capital stock to persons other than Ponce Bank Mutual Holding Company, as long as Ponce Bank Mutual Holding Company is in existence, Ponce Bank Mutual Holding Company will be required to own a majority of the voting stock of PDL Community Bancorp, and consequently will be able to control the outcome of substantially all matters put to a vote of stockholders. PDL Community Bancorp must own 100% of the voting stock of Ponce Bank.

Offering of Common Stock

Under the plan of reorganization, up to 7,224,663 shares (subject to increase to up to 8,308,362 shares) of PDL Community Bancorp common stock will be offered for sale, subject to certain restrictions described below, through a subscription and community offering.

Subscription Offering. The subscription offering will expire at [expiration time], Eastern Time, on [expiration date], unless otherwise extended by Ponce De Leon Federal Bank. Regulations require that all shares to be offered in the offering be sold within a period ending not more than 90 days after regulatory approval of the plan of reorganization or a longer period as may be approved by the Federal Reserve Board or, despite approval of the plan of reorganization by our members, the reorganization and offering will not be effected. This period expires on [extension date], unless extended with the approval of the Federal Reserve Board. If the offering is not completed by [extension date], all subscribers will have the right to modify or rescind their subscriptions and to have their subscription funds returned promptly with interest. In the event of an extension of this type, all subscribers will be notified in writing of the time period within which subscribers must notify Ponce De Leon Federal Bank of their intention to maintain, modify or rescind their subscriptions. If the subscriber rescinds or does not respond in any manner to Ponce De Leon Federal Bank's notice, the funds submitted will be refunded to the subscriber with interest at [interest rate]% per annum, which is Ponce De Leon Federal Bank's current passbook savings rate, and/or the subscriber's withdrawal authorizations will be terminated. In the event that the offering is not consummated, all funds submitted and not previously refunded pursuant to the subscription and community offering will be promptly refunded to subscribers with interest at [interest rate]% per annum, and all withdrawal authorizations will be terminated.

Subscription Rights. Under the plan of reorganization, nontransferable subscription rights to purchase the shares of common stock have been issued to persons and entities entitled to purchase the shares of common stock in the subscription offering. The amount of shares of common stock that these parties may purchase will depend on the availability of the common stock for purchase under the categories described in the plan of reorganization. Subscription priorities have been established for the allocation of common stock to the extent that the common stock is available. These priorities are as follows:

Priority 1: Eligible Account Holders. Subject to the maximum purchase limitations, each depositor with \$50.00 or more on deposit at Ponce De Leon Federal Bank as of the close of business on October 31, 2015 will receive nontransferable subscription rights to subscribe for up to the greater of the following:

- \$300,000 of common stock;
- one-tenth of one percent of the total offering of common stock; or
- 15 times the product, rounded down to the nearest whole number, obtained by multiplying the total number of shares of common stock to be sold by a fraction, the numerator of which is the amount of the qualifying deposit of the eligible account holder and the denominator is the total amount of qualifying deposits of all eligible account holders.

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If the exercise of subscription rights in this category results in an oversubscription, shares of common stock will be allocated among subscribing eligible account holders so as to permit each one, to the extent possible, to purchase a number of shares sufficient to make the person's total allocation equal 100 shares or the number of shares for which the person has actually subscribed, whichever is less. Thereafter, unallocated shares will be allocated among the remaining subscribing eligible account holders whose subscriptions remain unfilled in the proportion that the amounts of their respective qualifying deposits bear to the total amount of qualifying deposits of all remaining eligible account holders whose subscriptions remain unfilled; however, no fractional shares shall be issued. If the amount so allocated exceeds the amount subscribed for by any one or more eligible account holders, the excess shall be reallocated, one or more times as necessary, among those eligible account holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated or all subscriptions satisfied. Subscription rights received by officers and directors and their associates in this category based on their increased deposits in Ponce De Leon Federal Bank in the one-year period preceding October 31, 2015 are subordinated to the subscription rights of other eligible account holders.

To ensure proper allocation of stock, each eligible account holder must list on his or her stock order form all deposit accounts in which he or she had an ownership interest on October 31, 2015. Failure to list an account, or providing incorrect information, could result in the loss of all or part of a subscriber's stock allocation if the offering is oversubscribed.

Priority 2: Tax-Qualified Employee Plans. The plan of reorganization provides that tax-qualified employee plans of Ponce Bank, such as the employee stock ownership plan, will receive nontransferable subscription rights to purchase up to 4.90% of the shares of common stock issued and outstanding following the completion of the offering. The only tax-qualified employee benefit plan participating in the offering is the employee stock ownership plan which intends to purchase 3.92% of our outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and shares contributed to our charitable foundation). In the event the number of shares offered in the offering is increased above the maximum of the valuation range, tax-qualified employee plans will have a priority right to purchase any shares exceeding that amount up to 4.90% of the common stock issued and outstanding following the completion of the offering, provided that the employee stock ownership plan cannot purchase more than 3.92% of our outstanding shares, including shares issued to Ponce Bank Mutual Holding Company and contributed to our charitable foundation. The employee stock ownership plan may, with Federal Reserve Board approval, purchase some or all of the shares of common stock it intends to purchase in the open market or may purchase shares of common stock directly from PDL Community Bancorp.

Priority 3: Supplemental Eligible Account Holders. To the extent that there are sufficient shares of common stock remaining after satisfaction of subscriptions by eligible account holders and the tax-qualified employee plans, and subject to the maximum purchase limitations, each depositor with \$50.00 or more on deposit as of the close of business on [supplemental eligibility record date], excluding officers, directors and their associates, will receive nontransferable subscription rights to subscribe for up to the greater of:

- \$300,000 of common stock;
- one-tenth of one percent of the total offering of common stock; or
- 15 times the product, rounded down to the nearest whole number, obtained by multiplying the total number of shares of common stock to be issued by a fraction, the numerator of which is the amount of qualifying deposits of the supplemental eligible account holder and the denominator is the total amount of qualifying deposits of all supplemental eligible account holders.

If the exercise of subscription rights in this category results in an oversubscription, shares of common stock will be allocated among subscribing supplemental eligible account holders so as to permit each supplemental eligible account holder, to the extent possible, to purchase a number of shares sufficient to make his or her total allocation equal 100 shares or the number of shares for which the person has actually subscribed, whichever is less. Thereafter, unallocated shares will be allocated among subscribing supplemental eligible account holders whose subscriptions remain unfilled in the proportion that the amounts of their respective qualifying deposits bear to total qualifying deposits of all subscribing supplemental eligible account holders; however, no fractional shares shall be issued. If the amount so allocated exceeds the amount subscribed for by any one or more supplemental eligible account holders, the excess shall be reallocated, one or more times as necessary, among those supplemental eligible account holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated or all subscriptions satisfied.

To ensure proper allocation of stock, each supplemental eligible account holder must list on his or her stock order form all deposit accounts in which he or she had an ownership interest on [supplemental eligibility record date]. Failure to list an account, or providing incorrect information, could result in the loss of all or part of a subscriber's stock allocation if the offering is oversubscribed.

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Priority 4: Other Members. To the extent that there are sufficient shares of common stock remaining after satisfaction of subscriptions by eligible account holders, the tax-qualified employee plans and supplemental eligible account holders, and subject to the maximum purchase limitations, each member of Ponce De Leon Federal Bank as of the close of business on [other record date] who is not an eligible account holder, supplemental eligible account holder or tax-qualified employee plan, including borrowers from Ponce De Leon Federal Bank as of April 11, 1985 who maintained such borrowings as of the close of business on [other record date], will receive nontransferable subscription rights to purchase up to the greater of \$300,000 or one-tenth of one percent of the total offering of common stock.

If there is an oversubscription in this category, the available shares of common stock will be allocated proportionately based on the size of such other member's orders.

To ensure proper allocation of stock, each other member must list on his or her stock order form all deposit and loan accounts in which he or she had an ownership interest on [other record date]. Failure to list an account, or providing incorrect information, could result in the loss of all or part of a subscriber's stock allocation if the offering is oversubscribed.

Community Offering. Any shares of common stock which have not been purchased in the subscription offering may be offered by PDL Community Bancorp in a community offering to members of the general public to whom PDL Community Bancorp delivers a copy of this prospectus and a stock order form, with preference given to natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, New York, Queens and King and the New Jersey County of Hudson. Subject to the maximum purchase limitations, these persons may purchase up to \$300,000 of common stock. The community offering, if any, may be undertaken concurrently with, during, or promptly after the subscription offering, and may terminate at any time without notice. Subject to any required regulatory approvals, PDL Community Bancorp will determine in its sole discretion the advisability of a community offering, the commencement and termination dates of any community offering, and the methods of finding potential purchasers in such offering. **The opportunity to subscribe for shares of common stock in the community offering is subject to the right of PDL Community Bancorp and Ponce De Leon Federal Bank, in their sole discretion, to accept or reject these orders in whole or in part either at the time of receipt of an order or as soon as practicable thereafter.**

If we do not have sufficient shares of common stock available to fill the orders of natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, New York, Queens and King and the New Jersey County of Hudson whose orders are accepted by Ponce De Leon Federal Bank, we will allocate the available shares among those persons in a manner that permits each of them, to the extent possible, to purchase the lesser of 100 shares, or the number of shares subscribed for by such person. Thereafter, unallocated shares will be allocated among natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, New York, Queens and King and the New Jersey County of Hudson, whose orders remain unsatisfied on an equal number of shares basis per order. If, after allocation of shares to natural persons (including trusts of natural persons) residing in the New York Counties of Bronx, New York, Queens and King and the New Jersey County of Hudson, we do not have sufficient shares of common stock available to fill the orders of other members of the general public, we will allocate the available shares among those persons in a manner that permits each of them, to the extent possible, to purchase the lesser of 100 shares, or the number of shares subscribed for by such person. Thereafter, unallocated shares will be allocated among members of the general public whose orders remain unsatisfied on an equal number of shares basis per order.

Syndicated Community Offering. The plan of reorganization provides that, if necessary, all shares of common stock not purchased in the subscription offering and community offering may be offered for sale to the general public in a syndicated community offering to be managed by Raymond James & Associates, Inc., acting as our agent. In such capacity, Raymond James & Associates, Inc. may form a syndicate of other brokers-dealers who are member firms of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Neither Raymond James & Associates, Inc. nor any registered broker-dealer will have any obligation to take or purchase any shares of the common stock in the syndicated community offering; however, Raymond James & Associates, Inc. has agreed to use its best efforts in the sale of shares in any syndicated community offering. We have not selected any other broker-dealers to participate in a syndicated community offering and will not do so until prior to the commencement of the syndicated community offering. The syndicated community offering would terminate no later than 45 days after the expiration of the subscription offering, unless extended by us, with approval of the Federal Reserve Board. See "—Community Offering" above for a discussion of rights of subscribers in the event an extension is granted.

The opportunity to subscribe for shares of common stock in the syndicated community offering is subject to the right of PDL Community Bancorp and Ponce De Leon Federal Bank, in their sole discretion, to accept or reject these orders in whole or in part either at the time of receipt of an order or as soon as practicable thereafter.

The price at which shares of common stock are sold in the syndicated community offering will be the same price as in the subscription and community offerings. Subject to the overall purchase limitations, no person by himself or herself may subscribe for or purchase more than \$300,000 of common stock.

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In the event of a syndicated community offering, it is currently expected that investors would follow the same general procedures applicable to purchasing shares in the subscription and community offerings (the use of stock order forms and the submission of funds directly to PDL Community Bancorp for the payment of the purchase price of the shares ordered) except that payment must be in immediately available funds (bank checks, money orders, deposit account withdrawals from accounts at Ponce De Leon Federal Bank or wire transfers). See “ Procedure for Purchasing Shares.”

If for any reason we cannot effectuate a syndicated offering of shares of common stock not purchased in the subscription and community offerings, or if there are an insignificant number of shares remaining unsold after such offerings, we will try to make other arrangements for the sale of unsubscribed shares. The Federal Reserve Board and the FINRA must approve any such arrangements.

Limitations on Purchase of Shares. The plan provides for certain limitations on the purchase of shares of common stock in the offering. These limitations are as follows:

- A. The aggregate amount of outstanding common stock of PDL Community Bancorp owned or controlled by persons other than Ponce Bank Mutual Holding Company at the close of the reorganization and offering shall be less than 50% of PDL Community Bancorp’s total outstanding common stock.
- B. The minimum number of shares of common stock you may order is 25 shares. The maximum number of shares of common stock that can be ordered by any person in the offering, or persons exercising subscription rights through a single deposit account, is 30,000 shares, and no person together with an associate or group of persons acting in concert may purchase more than 50,000 shares, except that: (i) PDL Community Bancorp may, in its sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase such maximum purchase limitation to 9.9% of the number of shares sold in the offering, provided that the total number of shares purchased by persons, their associates and those persons with which they are acting in concert, to the extent such purchases exceed 5% of the shares sold in the offering, shall not exceed, in the aggregate, 10% (or such higher percentage as may be determined by our board of directors with the approval of federal banking regulators) of the total number of the shares sold in the offering; (ii) the tax-qualified employee plans may purchase up to 10% of the shares offered in the offering; and (iii) for purposes of this paragraph B shares to be held by any tax-qualified employee plan and attributable to a person shall not be aggregated with other shares purchased directly by or otherwise attributable to such person.
- C. The aggregate amount of common stock acquired in the offering, plus all prior stock offerings by PDL Community Bancorp, by any non-tax-qualified employee plan or any management person (as defined in the plan) and his or her associates, exclusive of any shares of common stock acquired by such plan or management person and his or her associates in the secondary market, shall not exceed 4.9% of the outstanding shares of common stock of PDL Community Bancorp, at the conclusion of the offering. In calculating the number of shares held by any management person and his or her associates under this paragraph, shares held by any tax-qualified employee plan or non-tax-qualified employee plan of PDL Community Bancorp, or Ponce Bank that are attributable to such person shall not be counted.
- D. The aggregate amount of common stock acquired in the offering, plus all prior stock issuances by PDL Community Bancorp, by any one or more tax-qualified employee plans, or any management person and his or her associates, exclusive of any shares of common stock acquired by such plan or management person and his or her associates in the secondary market, shall not exceed 4.9% of the stockholders’ equity of PDL Community Bancorp, at the conclusion of the offering. In calculating the number of shares held by any management person and his or her associates under this paragraph, shares held by any tax-qualified employee plan or non-tax-qualified employee plan of PDL Community Bancorp, or Ponce Bank that are attributable to such person shall not be counted.
- E. The aggregate amount of common stock acquired in the offering, plus all prior stock issuances by PDL Community Bancorp, by any one or more tax-qualified employee plans, exclusive of any shares of common stock acquired by such plans in the secondary market, shall not exceed 4.9% of the outstanding shares of common stock of PDL Community Bancorp at the conclusion of the offering.
- F. The aggregate amount of common stock acquired in the offering, plus all prior stock issuances by PDL Community Bancorp, by any one or more tax-qualified employee plans, exclusive of any shares of common stock acquired by such plans in the secondary market, shall not exceed 4.9% of the stockholders’ equity of PDL Community Bancorp at the conclusion of the offering.
- G. The aggregate amount of common stock that may be encompassed under all stock option plans and restricted stock plans of PDL Community Bancorp may not exceed, in the aggregate, 25% of the outstanding shares of common stock of PDL Community Bancorp held by persons other than Ponce Bank Mutual Holding Company at the conclusion of the stock offering.

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- H. The aggregate amount of common stock acquired in the offering, plus all prior stock issuances by PDL Community Bancorp, by all non-tax-qualified employee plans or management persons and their associates, exclusive of any common stock acquired by such plans or management persons and their associates in the secondary market, shall not exceed 25% (or such higher percentage as may be set by our board of directors with the approval of federal banking regulators) of the outstanding shares of common stock held by persons other than Ponce Bank Mutual Holding Company at the conclusion of the offering. In calculating the number of shares held by management persons and their associates under this paragraph or paragraph I. below, shares held by any tax-qualified employee plan or non-tax-qualified employee plan that are attributable to such persons shall not be counted.
- I. The aggregate amount of common stock acquired in the offering, plus all prior stock issuances by PDL Community Bancorp, by all non-tax-qualified employee plans or management persons and their associates, exclusive of any common stock acquired by such plans or management persons and their associates in the secondary market, shall not exceed 25% of the stockholders' equity of PDL Community Bancorp held by persons other than Ponce Bank Mutual Holding Company at the conclusion of the offering.
- J. Notwithstanding any other provision of the plan of reorganization, no person shall be entitled to purchase any common stock to the extent such purchase would be illegal under any federal law or state law or regulation or would violate regulations or policies of FINRA. PDL Community Bancorp and/or its agents may ask for an acceptable legal opinion from any purchaser as to the legality of such purchase and may refuse to honor any purchase order if such opinion is not timely furnished.
- K. The board of directors of PDL Community Bancorp has the right in its sole discretion to reject any order submitted by a person whose representations our board of directors believes to be false or who it otherwise believes, either alone or acting in concert with others, is violating, circumventing, or intends to violate, evade or circumvent the terms and conditions of the plan.
- L. A minimum of 25 shares of common stock must be purchased by each person purchasing shares in the offering to the extent those shares are available; provided, however, that in the event the minimum number of shares of common stock purchased times the price per share exceeds \$500, then such minimum purchase requirement shall be reduced to such number of shares which when multiplied by the price per share shall not exceed \$500, as determined by our board of directors.

For purposes of the plan of reorganization, the members of our board of directors are not deemed to be acting in concert solely by reason of their board membership. The term "associate" is used above to indicate any of the following relationships with a person:

- any corporation or organization, other than Ponce Bank Mutual Holding Company, PDL Community Bancorp, Ponce De Leon Federal Bank or Ponce Bank or a majority-owned subsidiary of PDL Community Bancorp, Ponce De Leon Federal Bank or Ponce Bank, of which a person is a senior officer or partner, or beneficially owns, directly or indirectly, 10% or more of any class of equity securities of the corporation or organization;
- any trust or other estate, if the person has a substantial beneficial interest in the trust or estate or is a trustee or fiduciary of the trust or estate except that for the purposes relating to subscriptions in the stock offering and the sale of common stock following the reorganization, a person who has a substantial beneficial interest in any non-tax-qualified employee plan or any tax-qualified employee plan, or who is a trustee or fiduciary of such plan, is not an associate of such plan, and except that for purposes of aggregating total shares that may be held by officers and directors, the term "associate" does not include any tax-qualified employee plan; or
- any person who is related by blood or marriage to such person and (i) who lives in the same house as the person; or (ii) who is a director or senior officer of Ponce Bank Mutual Holding Company, PDL Community Bancorp, Ponce Bank or Ponce De Leon Federal Bank or a subsidiary thereof.

As used above, the term "acting in concert" means:

- knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not pursuant to an express agreement; or
- a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise. A person or company that acts in concert with another person or company ("other party") shall also be deemed to be acting in concert with any person or company who is also acting in concert with that other party, except that any tax-qualified employee plan will not be deemed to be acting in concert with its trustee or a person who serves in a similar capacity solely for the purpose of determining whether stock held by the trustee and stock held by the plan will be aggregated.

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Persons or companies who file jointly a Schedule 13D or Schedule 13G with any regulatory agency will be deemed to be acting in concert.

The boards of directors of PDL Community Bancorp and Ponce De Leon Federal Bank may, in their sole discretion, and without notice or solicitation of other prospective purchasers, increase the maximum purchase limitation to 9.9% of the number of shares sold in the offering provided that the total number of shares purchased by persons, their associates and those persons with which they are acting in concert, to the extent such purchases exceed 5% of the shares sold in the offering, shall not exceed, in the aggregate, 10% (or such higher percentage as may be determined by our board of directors with the approval of the federal banking regulators) of the total number of shares sold in the offering. Requests to purchase shares of PDL Community Bancorp common stock under this provision will be allocated by the boards of directors of PDL Community Bancorp and Ponce De Leon Federal Bank in accordance with the priority rights and allocation procedures set forth above. Depending upon market and financial conditions, and subject to certain regulatory limitations, the boards of directors of PDL Community Bancorp and Ponce De Leon Federal Bank, with the approval of the federal banking regulators and without further approval of the members, may increase or decrease any of the above purchase limitations at any time. To the extent that shares are available, each subscriber must subscribe for a minimum of 25 shares. In computing the number of shares of common stock to be allocated, all numbers will be rounded down to the next whole number.

Shares of common stock purchased in the offering will be freely transferable except for shares of common stock purchased by executive officers and directors of Ponce De Leon Federal Bank or PDL Community Bancorp and except as described below. In addition, under FINRA guidelines, members of the FINRA and their associates are subject to certain reporting requirements upon purchase of these securities.

Plan of Distribution and Marketing Arrangements

Offering materials for the offering initially have been distributed to certain persons by mail, with additional copies made available through our Stock Information Center and Raymond James & Associates, Inc.

To assist in the marketing of our common stock, we have retained Raymond James & Associates, Inc., which is a broker-dealer registered with FINRA. In its role as financial advisor and marketing agent, Raymond James & Associates, Inc. will, among other things:

- Assist us in assessing the financial and securities market implications of the plan and in structuring and communicating the terms of the plan and the offering;
- Assist us in the preparation of documents related to the execution of the plan, including the prospectus, stock order form and all marketing materials (it being understood that the preparation and filing of any and all such documents will be our responsibility);
- Assist us in scheduling and preparing for meetings with potential investors and/or other broker-dealers related to the offering, as necessary;
- Establish a Stock Information Center at Raymond James & Associates, Inc. office in Chicago, Illinois;
- Assist in the training of our personnel for interaction with customers during the offering period; and
- Such other financial advisory and investment banking services in connection with the offering as may be agreed upon by Raymond James & Associates, Inc. and us.

For its services as financial advisor, Raymond James & Associates, Inc. will receive (i) a non-refundable management fee of \$50,000, which we have already paid, and (ii) a success fee of 1.0% of the aggregate dollar amount of all shares of common stock sold in the subscription and community offerings. No fee will be paid on any shares purchased by our directors, officers or employees or members of their immediate families (whether directly or through a personal trust), or purchased by any employee benefit plan or trust established for the benefit of our directors, officers and employees, or contributed to our charitable foundation. The success fee will be reduced by the management fee.

In the event shares of common stock are sold in a syndicated community offering, we will pay fees of 6.0% of the aggregate dollar amount of shares of common stock sold in the syndicated community offering to Raymond James & Associates, Inc. and any other broker-dealers included in the syndicated community offering. Any such offering will be on a best efforts basis, and Raymond James & Associates, Inc. will serve as sole book-running manager in such an offering. All fees payable with respect to a syndicated community offering will be in addition to fees payable with respect to the subscription and community offerings.

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We also will reimburse Raymond James & Associates, Inc. for its reasonable expenses associated with its marketing effort in an amount not to exceed \$50,000 and for attorney's fees and expenses not to exceed \$100,000. These expenses may be increased in the event of unusual circumstances; such increases may not exceed \$10,000 and \$25,000, respectively.

We will indemnify Raymond James & Associates, Inc. against liabilities and expenses (including legal fees) incurred in connection with certain claims or litigation arising out of or based upon untrue statements or omissions contained in the offering material for the common stock, including liabilities under the Securities Act of 1933.

Raymond James & Associates, Inc. has not prepared any report or opinion constituting a recommendation or advice to us or to persons who subscribe for stock, nor has it prepared an opinion as to the fairness to us of the purchase price or the terms of the stock to be sold. Raymond James & Associates, Inc. expresses no opinion as to the prices at which the shares of common stock to be issued may trade.

Our directors and executive officers may participate in the solicitation of offers to purchase shares of common stock. Other trained employees may participate in the offering in ministerial capacities, providing clerical work in effecting a sales transaction or answering questions of a ministerial nature. Other questions of prospective purchasers will be directed to executive officers or registered representatives. We will rely on Rule 3a4-1 of the Securities Exchange Act of 1934, so as to permit officers, directors, and employees to participate in the sale of shares of common stock. No officer, director or employee will be compensated for his participation by the payment of commissions or other remuneration based either directly or indirectly on the transactions in the shares of common stock. Raymond James & Associates, Inc. will solicit orders and conduct sales of the common stock of PDL Community Bancorp in states in which our directors and executive officers are not permitted to offer and sell our shares of common stock.

Records Agent Services

We have also engaged Raymond James & Associates, Inc. to act as our records agent in connection with the offering. In this role as records agent, Raymond James & Associates, Inc. will provide, among other things:

- Customer File Processing Services—processing of our customer account records for each record date required by the Plan; consolidation of eligible customer accounts by ownership and creation of a central file for determination of subscription and voting rights;
- Stock Order Processing Services—processing of stock order forms received, required reporting, allocation of shares to qualifying subscribers if the offering is oversubscribed; and coordination with our transfer agent for stock issuance; and
- Member Proxy Vote Services—tabulating and reporting of member proxy votes received; proxy target group identification and reporting to assist with solicitation efforts; and acting as or supporting the Inspector of Election for the Special Meeting of Members.

For these services, Raymond James & Associates, Inc. will receive a fee of \$25,000 which is non-refundable and has already been paid.

How We Determined the Stock Pricing and the Number of Shares to be Issued

The plan of reorganization and federal regulations require that the aggregate purchase price of the common stock sold in the offering be based on the appraised pro forma market value of the common stock, as determined by an independent valuation. We have retained RP Financial, LC. to prepare an independent valuation appraisal. For its services in preparing the initial valuation RP Financial, LC. will receive a fee of \$90,000, and will receive a fee of \$10,000 for each appraisal update. RP Financial, LC. will be reimbursed for its expenses up to \$7,500.

We are not affiliated with RP Financial, LC., and neither we nor RP Financial, LC. have an economic interest in, or is held in common with, the other. RP Financial, LC. has represented and warranted to us that it is not aware of any fact or circumstance that would cause it not to be “independent” within the meaning of the reorganization regulations or the applicable regulatory valuation guidelines or otherwise prohibit or restrict in anyway RP Financial, LC. from serving in the role of our independent appraiser.

We have agreed to indemnify RP Financial, LC. and its employees and affiliates against specified losses, including any losses in connection with claims under the federal securities laws, arising out of its services as independent appraiser, except where such liability results from its negligence or bad faith.

The independent valuation appraisal considered the pro forma impact of the offering. Consistent with federal appraisal guidelines, the appraisal applied three primary methodologies: (1) the pro forma price-to-book value approach applied to both reported book value and tangible book value; (2) the pro forma price-to-earnings approach applied to reported and core earnings; and (3) the pro forma price-to-assets approach. The market value ratios applied in the three methodologies were based upon the current market valuations of the peer group companies identified by RP Financial, LC., subject to valuation adjustments applied by RP Financial, LC. to account for differences between us and our peer group. RP Financial, LC. placed the greatest emphasis on the price-to-book value and price-to-earnings approaches in estimating pro forma market value. RP Financial, LC. considered the pro forma price-to-assets approach to be less meaningful in preparing the appraisal, as this approach is more meaningful when a company has low equity or earnings. The price-to-assets approach is less meaningful for a company like us, as we have equity in excess of regulatory capital requirements and positive reported and core earnings.

The independent valuation was prepared by RP Financial, LC. in reliance upon the information contained in this prospectus, including our financial statements. RP Financial, LC. also considered the following factors, among others:

- our present and projected operating results and financial condition;
- the economic and demographic conditions in our existing market area;
- certain historical, financial and other information relating to us;
- a comparative evaluation of our operating and financial characteristics with those of other similarly situated publicly traded savings institutions;
- the impact of the reorganization and the offering on our equity and earnings potential;
- our proposed dividend policy; and
- the trading market for securities of comparable institutions and general conditions in the market for such securities.

The independent valuation is also based on an analysis of a peer group of publicly traded savings and loan holding companies that RP Financial, LC. considered comparable to us under regulatory guidelines applicable to the independent valuation. Under these guidelines, a minimum of ten peer group companies are selected from the universe of all publicly-traded savings institutions with relatively comparable resources, strategies and financial and other operating characteristics. Such companies must also be traded on an exchange (such as Nasdaq or the New York Stock Exchange). The peer group companies selected also consisted of fully-converted stock institutions that were not subject to an actual or rumored acquisition and that had been in fully-converted form for at least one year. In addition, RP Financial, LC. limited the peer group companies to the following two selection criteria: (i) Mid-Atlantic institutions with assets between \$500 million and \$1.5 billion, tangible equity-to-assets ratios of greater than 7.5% and positive reported and core earnings; and (ii) New England institutions with assets between \$500 million and \$1.5 billion, tangible equity-to-assets ratios of greater than 7.5% and positive reported and core earnings.

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In applying each of the valuation methods, RP Financial, LC. considered adjustments to the pro forma market value based on a comparison of us with the peer group. RP Financial, LC. advised the board of directors that the valuation conclusion included the following adjustments relative to the peer group:

- a moderate down adjustment was made for profitability, growth and viability of earnings due to Ponce De Leon Federal Bank's less favorable core earnings measures and lower pro forma returns as a percentage of assets and equity;
- a slight upward adjustment was made for asset growth due to Ponce De Leon Federal Bank's greater pro forma leverage capacity; and
- a slight downward adjustment was made for dividends due to the MHC ownership structure and dividend waiver regulations in place for MHCs that impact minority ownership ratios, in comparison to the fully-converted peer group companies.

RP Financial, LC. made no adjustments for financial condition, primary market area, liquidity of the shares, marketing of the issue, management, or effect of government regulations and regulatory reform.

Included in the independent valuation were certain assumptions as to our pro forma earnings after the reorganization that were utilized in determining the appraised value. These assumptions included estimated expenses, an assumed after-tax rate of return on the net offering proceeds and purchases in the open market of 5.88% of the shares of common stock to be outstanding by the stock-based benefit plans at the \$10.00 purchase price. See "Pro Forma Data" for additional information concerning these assumptions. The use of different assumptions may yield different results.

On the basis of the foregoing, RP Financial, LC. advised us that as of February 24, 2017, the estimated pro forma market value of the common stock, assuming we were selling a minority of our shares in the offering, was \$139.6 million. Based on applicable regulations, this forms a midpoint of a valuation range with a minimum of \$118.7 million and a maximum of \$160.5 million. Our board of directors determined to offer the shares of common stock in the offering at the purchase price of \$10.00 per share and that 45.0% of the shares issued should be held by purchasers in the offering, 3.3% should be held by our charitable foundation and 51.7% should be held by Ponce Bank Mutual Holding Company. Based on the estimated valuation range and the purchase price of \$10.00 per share, the total number of shares of common stock that PDL Community Bancorp will issue will range from 11,866,598 shares to 16,054,808 shares, with a midpoint of 13,960,703 shares (including in each case shares issued to Ponce Bank Mutual Holding Company and our charitable foundation), and the number of shares sold in the offering will range from 5,339,969 shares to 7,224,663 shares, with a midpoint of 6,282,316 shares.

Our board of directors reviewed the independent valuation and, in particular, considered (i) our financial condition and results of operations for the two years ended December 31, 2016, (ii) financial comparisons to other financial institutions, and (iii) stock market conditions generally and, in particular, for financial institutions. All of these factors are set forth in the independent valuation. Our board of directors also reviewed the methodology and the assumptions used by RP Financial, LC. in preparing the independent valuation. The estimated valuation range may be amended with the approval of the Federal Reserve Board, if necessitated by subsequent developments in our financial condition or market conditions generally.

Following commencement of the subscription offering, the maximum of the estimated valuation range may be increased by up to 15%, to up to \$184.6 million and the maximum number of shares that will be outstanding immediately following the offering may be increased up to 15% to up to 18,463,029 shares. Under such circumstances the number of shares sold in the offering will be increased to up to 8,308,362 shares, the number of shares held by Ponce Bank Mutual Holding Company will be increased to up to 9,545,388 shares and the number of shares contributed to our charitable foundation will be increased to up to 609,279. The increase in the valuation range may occur to reflect demand for the shares or changes in market conditions, and can be implemented without the resolicitation of subscribers. The minimum of the estimated valuation range and the minimum of the offering range may not be decreased without a resolicitation of subscribers. The purchase price of \$10.00 per share will remain fixed. See "—Offering of Common Stock—Limitations On Purchase of Shares" as to the method of distribution and allocation of additional shares of common stock that may be issued in the event of an increase in the offering range to fill unfilled orders in the subscription and community offerings.

The independent valuation is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. RP Financial, LC. did not independently verify the financial statements and other information provided by Ponce De Leon Federal Bank, nor did RP Financial, LC. value independently the assets or liabilities of Ponce De Leon Federal Bank. The independent valuation considers Ponce De Leon Federal Bank as a going concern and should not be considered as an indication of its liquidation value. Moreover, because the valuation is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons purchasing shares in the offering will thereafter be able to sell such shares at prices at or above the purchase price.

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The independent valuation will be updated at the time of the completion of the offering. If the update to the independent valuation at the conclusion of the offering results in an increase in the pro forma market value of the common stock to more than \$184.6 million or a decrease in the pro forma market value to less than \$118.7 million, then PDL Community Bancorp, after consulting with the Federal Reserve Board, may terminate the plan of reorganization and return all funds promptly, with interest on payments made by check, certified or teller's check, bank draft or money order; extend or hold a new subscription offering, community offering, or both; establish a new offering range and commence a resolicitation of subscribers; or take such other actions as may be permitted by the Federal Reserve Board in order to complete the reorganization and offering. In the event that a resolicitation is commenced due to a change in the independent valuation, all funds will be promptly returned to investors and investors will be given the opportunity to place a new order for a period of time. A resolicitation, if any, following the conclusion of the subscription and community offerings would not exceed 45 days unless further extended by regulators for periods of up to 90 days not to extend beyond 24 months following the special meeting of members, or [final extension date].

An increase in the independent valuation and the number of shares to be issued in the offering would decrease both a subscriber's ownership interest and PDL Community Bancorp's pro forma earnings and stockholders' equity on a per share basis while increasing pro forma earnings and stockholders' equity on an aggregate basis. A decrease in the independent valuation and the number of shares of common stock to be issued in the offering would increase both a subscriber's ownership interest and PDL Community Bancorp's pro forma earnings and stockholders' equity on a per share basis while decreasing pro forma net income and stockholders' equity on an aggregate basis. For a presentation of the effects of such changes, see "Pro Forma Data."

Copies of the appraisal report of RP Financial, LC. and the detailed memorandum of the appraiser setting forth the method and assumptions for such appraisal are available for inspection at the main office of Ponce De Leon Federal Bank and the other locations specified under "Where You Can Find More Information."

No sale of shares of common stock may occur unless, prior to such sale, RP Financial, LC. confirms to Ponce De Leon Federal Bank and the Federal Reserve Board that, to the best of its knowledge, nothing of a material nature has occurred that, taking into account all relevant factors, would cause RP Financial, LC. to conclude that the independent valuation is incompatible with its estimate of the pro forma market value of the common stock of PDL Community Bancorp at the conclusion of the offering. Any change that would result in an aggregate purchase price that is below the minimum or above the maximum of the estimated valuation range would be subject to regulatory approval. If such confirmation is not received, we may extend the offering; reopen the offering or commence a new offering; establish a new estimated valuation range and commence a resolicitation of all purchasers with the approval of federal regulators; or take such other actions as permitted in order to complete the offering.

Prospectus Delivery

To ensure that each purchaser in the subscription and community offerings receives a prospectus at least 48 hours before the expiration of the offering in accordance with Rule 15c2-8 of the Securities Exchange Act of 1934, we may not mail a prospectus any later than five days prior to the expiration date or hand deliver a prospectus any later than two days prior to that date. We are not obligated to deliver a prospectus or stock order form by means other than U.S. Mail. Execution of a stock order form will confirm receipt of delivery of a prospectus in accordance with Rule 15c2-8. Stock order forms will be distributed only if preceded or accompanied by a prospectus.

In the syndicated community offering, a prospectus and stock order form in electronic format may be made available on Internet sites or through other online services maintained by Raymond James & Associates, Inc. or one or more other members of the syndicate, or by their respective affiliates. In those cases, prospective investors may view offering terms online and, depending upon the syndicate member, prospective investors may be allowed to place orders online. The members of the syndicate may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made on the same basis as other allocations.

Other than the prospectus in electronic format, the information on the Internet sites referenced in the preceding paragraph and any information contained in any other Internet site maintained by any member of the syndicate is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or by Raymond James & Associates, Inc. or any other member of the syndicate in its capacity as selling agent or syndicate member and should not be relied upon by investors.

Procedure for Purchasing Shares

Expiration Date. The offering will expire at [expiration time], Eastern Time, on [expiration date], unless we extend it for up to 45 days. This extension may be approved by us, in our sole discretion, without further approval or additional notice to subscribers in the offering. Any extension of the subscription and/or community offering beyond [extension date] would require regulatory approval. If the offering is extended past [extension date], we will resolicit subscribers. You will have the opportunity to confirm, change or cancel your order within a specified period of time. If you do not respond during that period, your stock order will be

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cancelled and your deposit account withdrawal authorizations will be cancelled or your funds submitted will be returned promptly with interest at [interest rate]% per annum from the date your stock order was processed. No single extension will exceed 90 days. Aggregate extensions may not go beyond [final extension date], which is two years after the special meeting of members. We reserve the right in our sole discretion to terminate the offering at any time and for any reason, in which case we will cancel any deposit account withdrawal authorizations and promptly return all funds submitted, with interest at [interest rate]% per annum from the date of processing as described above.

We have the right to reject any order submitted in the offering by a person who we believe is making false representations or who we otherwise believe, either alone or acting in concert with others, is violating, evading, circumventing, or intends to violate, evade or circumvent the terms and conditions of the plan of reorganization.

Use of Stock Order Forms. In order to purchase shares of common stock, you must complete and sign an original stock order form and remit full payment. We will not be required to accept incomplete stock order forms, unsigned stock order forms, or orders submitted on photocopied or facsimiled stock order forms. All stock order forms must be received, not postmarked, prior to [expiration time], Eastern Time, [expiration date]. We will not accept stock order forms that are not received by that time, are executed defectively or are received without full payment or without appropriate deposit account withdrawal instructions. We are not required to notify subscribers of incomplete or improperly executed stock order forms. We have the right to permit the correction of incomplete or improperly executed stock order forms. We do not represent, however, that we will do so. You may submit your stock order form and payment in one of three ways: 1) by mail, using the stock order reply envelope provided; 2) by overnight delivery to the address indicated for that purpose on the stock order form; or 3) by hand-delivery to Ponce De Leon Federal Bank's administrative office located at 2244 Westchester Avenue, Bronx, New York. **Please do not mail stock order forms to Ponce De Leon Federal Bank. We encourage subscribers to consider in-person or overnight delivery to enhance the likelihood that your order is received before the deadline.** Once tendered, an order form cannot be modified or revoked unless the offering is terminated or is extended beyond [extension date], or the number of shares of common stock to be sold is increased to more than 8,308,362 shares or decreased to less than 5,339,969 shares. We reserve the absolute right, in our sole discretion, to reject orders received in the community offering and the syndicated community offering, in whole or in part, at the time of receipt or at any time prior to completion of the offering.

If you are ordering shares in the subscription offering, you must represent that you are purchasing shares for your own account and that you have no agreement or understanding with any person for the sale or transfer of the shares. Our interpretation of the terms and conditions of the plan of reorganization and of the acceptability of the order forms will be final.

To ensure that eligible account holders, supplemental eligible account holders, and other members are properly identified as to their stock purchase priorities, such parties must list all deposit and loan accounts on the stock order form giving all names on each deposit and loan account and the account numbers at the applicable eligibility date.

By signing the order form, you will be acknowledging that the common stock is not a deposit or savings account and is not federally insured or otherwise guaranteed by Ponce De Leon Federal Bank or the federal government, and that you received a copy of this prospectus. However, signing the order form will not result in you waiving your rights under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Payment for Shares. Payment for all shares of common stock will be required to accompany all completed stock order forms for the purchase to be valid. Payment for shares may be made by:

- personal check, bank check or money order, payable to PDL Community Bancorp; or
- authorization of withdrawal from Ponce De Leon Federal Bank deposit account(s), other than checking accounts or individual retirement accounts ("IRAs").

Appropriate means for designating withdrawals from deposit accounts at Ponce De Leon Federal Bank are provided in the stock order forms. The funds designated must be available in the account(s) at the time the stock order form is received. A hold will be placed on these funds, making them unavailable to the depositor. Funds authorized for withdrawal will continue to earn interest within the account at the contract rate until the offering is completed, at which time the designated withdrawal will be made. Interest will remain in the account. Interest penalties for early withdrawal applicable to certificate of deposit accounts will not apply to withdrawals authorized for the purchase of shares of common stock; however, if a withdrawal results in a certificate of deposit account with a balance less than the applicable minimum balance requirement, the certificate of deposit will be cancelled at the time of withdrawal without penalty, and the remaining balance will earn interest at the rate of [interest rate]% per annum subsequent to the withdrawal.

In the case of payments made by personal check, these funds must be available in the account(s). Checks and money orders will be immediately cashed and placed in a segregated account at Ponce De Leon Federal Bank and will earn interest at a rate of [interest rate]% per annum from the date payment is processed until the offering is completed, at which time, a subscriber will be issued a check for interest earned.

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Regulations prohibit Ponce De Leon Federal Bank from knowingly lending funds or extending credit to any person to purchase shares of common stock in the offering. You may not pay by wire transfer. You may not submit cash or use a check drawn on a Ponce De Leon Federal Bank line of credit. We will not accept third-party checks (a check written by someone other than you) payable to you and endorsed over to PDL Community Bancorp. You may not designate on your stock order form a direct withdrawal from a Ponce De Leon Federal Bank retirement account. See “—Using Retirement Account Funds” for information on using such funds. Additionally, you may not designate on your stock order form a direct withdrawal from Ponce De Leon Federal Bank deposit accounts with check-writing privileges. Please submit a check instead. If you request direct withdrawal, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount, and we will immediately withdraw the amount from your checking account(s). Once we receive your executed stock order form, it may not be modified, amended or rescinded without our consent, unless the offering is not completed by the expiration date, in which event purchasers may be given the opportunity to increase, decrease or rescind their orders for a specified period of time.

We have the right, in our sole discretion, to permit institutional investors to submit irrevocable orders together with the legally binding commitment for payment and to thereafter pay for the shares of common stock for which they subscribe at any time prior to 48 hours before the completion of the offering. This payment may be made by wire transfer.

Our employee stock ownership plan will not be required to pay for any shares purchased in the offering until completion of the stock offering, provided there is a loan commitment from either an unrelated financial institution or PDL Community Bancorp to lend to the employee stock ownership plan the necessary amount to fund the purchase at the time of the expiration of the subscription offering.

Using Retirement Account Funds. If you are interested in using your individual retirement account funds to purchase shares of common stock, you must do so through a self-directed individual retirement account such as a brokerage firm individual retirement account. By regulation, Ponce De Leon Federal Bank’s individual retirement accounts are not self-directed, so they cannot be invested in shares of our common stock. **Therefore, if you wish to use your funds that are currently in a Ponce De Leon Federal Bank individual retirement account, you may not designate on the stock order form that you wish funds to be withdrawn from the account for the purchase of common stock. The funds you wish to use for the purchase of common stock will have to be transferred to a brokerage account. It may take several weeks to transfer your Ponce De Leon Federal Bank individual retirement account to an independent trustee, so please allow yourself sufficient time to take this action.** There will be no early withdrawal or Internal Revenue Service interest penalties for these transfers. A one-time and/or annual administrative fee may be payable to the independent custodian or trustee. Depositors interested in using funds in an individual retirement account or any other retirement account to purchase shares of common stock should contact our Stock Information Center as soon as possible, preferably at least two weeks prior to the [expiration date] end of the offering period, because processing such transactions takes additional time, and whether such funds can be used may depend on limitations imposed by the institutions where such funds are currently held. We cannot guarantee that you will be able to use such funds.

Delivery of Stock Purchased

All shares of common stock sold will be issued in book entry form. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock issued in the subscription and community offerings will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the stock offering. Shares of common stock sold in the syndicated community offering may be delivered electronically through the services of The Depository Trust Company, subject to any necessary regulatory approval. We expect trading in the stock to begin on the day of completion of the stock offering or the next business day. **Until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers might not be able to sell the shares of common stock that they purchased, even though the common stock will have begun trading.** Your ability to sell your shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

Restrictions on Transfer of Subscription Rights and Shares

Federal Reserve Board regulations prohibit any person with subscription rights, specifically the eligible account holders, supplemental eligible account holders and other members, from transferring or entering into any agreement or understanding to transfer the legal or beneficial ownership of the subscription rights issued under the plan of reorganization or the shares of common stock to be issued upon their exercise. These rights may be exercised only by the person to whom they are granted and only for his or her account. Each person exercising subscription rights will be required to certify that he or she is purchasing shares solely for his or her own account and that he or she has no agreement or understanding regarding the sale or transfer of such shares. The regulations also prohibit any person from offering or making an announcement of an offer or intent to make an offer to purchase subscription rights or shares of common stock to be issued upon their exercise prior to completion of the offering. On the stock order form, you cannot add the names of others for joint stock registration unless they are also named on a qualifying deposit or loan account with a subscription priority the same as your own.

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We intend to pursue any and all legal and equitable remedies in the event we become aware of the transfer of subscription rights, and we will not honor orders that we believe involve the transfer of subscription rights.

Other Restrictions

Notwithstanding any other provision of the plan of reorganization, no person is entitled to purchase any shares of common stock to the extent the purchase would be illegal under any federal or state law or regulation, including state “blue sky” regulations, or would violate regulations or policies of the FINRA, particularly those regarding free riding and withholding. We may ask for an acceptable legal opinion from any purchaser as to the legality of his or her purchase and we may refuse to honor any stock order if an opinion is not timely furnished.

How You Can Obtain Additional Information—Stock Information Center

Our banking personnel may not, by law, assist with investment-related questions about the offering. If you have questions regarding the reorganization or offering, please call our Stock Information Center at [stock center number]. The Stock Information Center will be open Monday through Friday, between 10:00 a.m. and 4:00 p.m., Eastern Time. The Stock Information Center will be closed on bank holidays.

Material Income Tax Consequences

Consummation of the reorganization is subject to the prior receipt of an opinion of counsel or tax advisor with respect to federal and state income taxation that the reorganization will not be a taxable transaction to Ponce De Leon Federal Bank, PDL Community Bancorp, eligible account holders, supplemental eligible account holders and other members. Unlike private letter rulings, opinions of counsel or tax advisors are not binding on the Internal Revenue Service or any state taxing authority, and such authorities may disagree with such opinions. In the event of such disagreement, there can be no assurance that Ponce De Leon Federal Bank or PDL Community Bancorp would prevail in a judicial proceeding.

Ponce De Leon Federal Bank and PDL Community Bancorp have received an opinion of counsel, _____, regarding all of the material federal income tax consequences of the reorganization, which includes the following:

1. The conversion of Ponce De Leon Federal Bank to Ponce Bank Mutual Holding Company will qualify as a tax-free reorganization under Internal Revenue Code Section 368(a)(1)(F).
2. The transfer by Ponce De Leon Federal Bank in mutual form (the “Mutual Bank”) of substantially all of its assets and liabilities to Ponce Bank in stock form (the “Stock Bank”) qualifies as an exchange under Internal Revenue Code Section 351 and the Mutual Bank will recognize no gain or loss upon the transfer of substantially all of its assets and liabilities solely in exchange for the voting common stock of the Stock Bank.
3. The Mutual Bank’s holding period in the common stock of the Stock Bank received in the reorganization will include the holding period during which the property exchanged was held.
4. Mutual Bank will recognize no income with respect to its bad debt reserve established under Internal Revenue Code Section 593.
5. The Stock Bank will recognize no gain or loss upon its receipt of property from the Mutual Bank in exchange for its stock.
6. The Stock Bank’s basis in the property received from the Mutual Bank will be the same as the basis of such property in the hands of the Mutual Bank immediately prior to the reorganization.
7. The Stock Bank’s holding period for the property received from the Mutual Bank will include the period during which such property was held by the Mutual Bank.
8. Mutual Bank’s members will recognize no gain or loss by reason of the reorganization.
9. No gain or loss will be recognized by eligible account holders, supplemental eligible account holders or other members of the Mutual Bank on the issuance to them of withdrawable deposit accounts in the Stock Bank plus liquidation rights with respect to Ponce Bank Mutual Holding Company, in exchange for their deposit accounts in the Mutual Bank or to the other depositors on the issuance to them of withdrawable deposit accounts.

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10. It is more likely than not that the fair market value of the subscription rights to purchase common stock is zero. Accordingly, no gain or loss will be recognized by eligible account holders, supplemental eligible account holders or other members upon the distribution to them of the nontransferable subscription rights to purchase shares of stock of PDL Community Bancorp. Gain realized, if any, by the eligible account holders, supplemental eligible account holders and other members on the distribution to them of nontransferable subscription rights to purchase shares of common stock will be recognized but only in an amount not in excess of the fair market value of such subscription rights. Eligible account holders and supplemental eligible account holders will not realize any taxable income as a result of the exercise by them of the nontransferable subscription rights.
11. The basis of the deposit accounts in the Stock Bank to be received by the eligible account holders, supplemental eligible account holders and other members of the Mutual Bank will be the same as the basis of their deposit accounts in Mutual Bank surrendered in exchange therefor. The basis of the interests in the liquidation rights in Ponce Bank Mutual Holding Company to be received by the eligible account holders, supplemental eligible account holders, and other members of the Mutual Bank shall be zero.
12. Ponce Bank Mutual Holding Company and the persons who purchased common stock of PDL Community Bancorp in the subscription and community offering (“minority stockholders”) will recognize no gain or loss upon the transfer of Stock Bank stock and cash, respectively, to PDL Community Bancorp in exchange for stock in PDL Community Bancorp.
13. PDL Community Bancorp will recognize no gain or loss on its receipt of the Stock Bank stock and cash in exchange for shares of PDL Community Bancorp common stock.
14. Ponce Bank Mutual Holding Company’s basis in the PDL Community Bancorp common stock received will be the same as its basis in the Stock Bank stock transferred.
15. Ponce Bank Mutual Holding Company’s holding period in PDL Community Bancorp common stock received will include the period during which it held the Stock Bank common stock, provided that the property was a capital asset on the date of the exchange.
16. PDL Community Bancorp’s basis in the Stock Bank stock received from Ponce Bank Mutual Holding Company will be the same as the basis of such property in the hands of Ponce Bank Mutual Holding Company.
17. PDL Community Bancorp’s holding period for the Stock Bank stock received from Ponce Bank Mutual Holding Company will include the period during which the property was held by Ponce Bank Mutual Holding Company.
18. It is more likely than not that the basis of PDL Community Bancorp common stock to its stockholders will be the purchase price thereof. The holding period of the common stock purchased pursuant to the exercise of subscription rights shall commence on the date on which the right to acquire the stock was exercised.

We believe that that the tax opinions summarized above address all material federal income tax consequences that are generally applicable to PDL Community Bancorp, Ponce Bank Mutual Holding Company, Ponce Bank, Ponce De Leon Federal Bank and persons receiving subscription rights. The tax opinions as to items 10 and 18 above are based on the position that subscription rights to be received by eligible account holders do not have any economic value at the time of distribution or the time the subscription rights are exercised. In this regard, noted that the subscription rights will be granted at no cost to the recipients, are legally non-transferable and of short duration, and will provide the recipient with the right only to purchase shares of common stock at the same price to be paid by members of the general public in any community offering. The firm also noted that the Internal Revenue Service has not in the past concluded that subscription rights have value. Based on the foregoing, believes that it is more likely than not that the nontransferable subscription rights to purchase shares of common stock have no value. However, the issue of whether or not the nontransferable subscription rights have value is based on all the facts and circumstances. If the subscription rights granted to eligible account holders are deemed to have an ascertainable value, receipt of these rights could result in taxable gain to those eligible account holders who exercise the subscription rights in an amount equal to the ascertainable value, and we could recognize gain on a distribution. Eligible account holders are encouraged to consult with their own tax advisors as to the tax consequences in the event that subscription rights are deemed to have an ascertainable value.

We have been informed that in the view of RP Financial, LC. (which is acting as independent appraiser of the value of the shares of PDL Community Bancorp common stock in connection with the reorganization), the subscription rights do not have any value for the reasons set forth above. RP Financial, LC.’s view is not binding on the Internal Revenue Service. If the subscription rights granted to eligible account holders, supplemental eligible account holders and other members are deemed to have an

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ascertainable value, receipt of these rights could result in taxable gain to those eligible account holders, supplemental eligible account holders and other members who exercise the subscription rights in an amount equal to their value, and PDL Community Bancorp could recognize gain on a distribution. Eligible account holders, supplemental eligible account holders and other members are encouraged to consult with their own tax advisors as to the tax consequences in the event that subscription rights are deemed to have an ascertainable value.

The Internal Revenue Service will not issue private letter rulings with respect to the issue of whether nontransferable rights have value. Unlike private letter rulings, an opinion of counsel or the view of an independent appraiser is not binding on the Internal Revenue Service and the Internal Revenue Service could disagree with the conclusions reached therein. Depending on the conclusion or conclusions with which the Internal Revenue Service disagrees, the Internal Revenue Service may take the position that the transaction is taxable to any one or more of Ponce De Leon Federal Bank, the members of Ponce De Leon Federal Bank, PDL Community Bancorp, eligible account holders, supplemental eligible account holders and other members who exercise their subscription rights. In the event of a disagreement, there can be no assurance that PDL Community Bancorp or Ponce Bank would prevail in a judicial or administrative proceeding.

The federal tax opinion has been filed with the Securities and Exchange Commission as an exhibit to PDL Community Bancorp's registration statement. An opinion regarding the New York and New Jersey state income tax consequences consistent with the federal tax opinion has been issued by Crowe Horwath, LLC, tax advisors to Ponce De Leon Federal Bank and PDL Community Bancorp.

Restrictions on Purchase or Transfer of Our Shares after Reorganization

The shares being acquired by the directors, executive officers and their associates are being acquired for investment purposes, and not with a view towards resale. All shares of common stock purchased in the offering by a director or an executive officer of PDL Community Bancorp or Ponce Bank generally may not be sold for a period of one year following the closing of the reorganization, except in the event of the death of the director or executive officer. Each certificate for restricted shares will bear a legend giving notice of this restriction on transfer, and instructions will be issued to the effect that any transfer within this time period of any certificate or ownership of the shares other than as provided above is a violation of the restriction. Any shares of common stock issued at a later date as a stock dividend, stock split or otherwise with respect to the restricted stock will be similarly restricted. The directors and executive officers of PDL Community Bancorp also will be restricted by the insider trading rules promulgated pursuant to the Securities Exchange Act of 1934.

Purchases of shares of our common stock by any of our directors, executive officers and their associates, during the three-year period following the closing of the reorganization may be made only through a broker or dealer registered with the Securities and Exchange Commission, except with the prior written approval of the Federal Reserve Board and the Office of the Comptroller of the Currency. This restriction does not apply, however, to negotiated transactions involving more than 1% of our outstanding common stock, to purchases of our common stock to fund stock options by one or more stock-based benefit plans or to any of our tax-qualified employee stock benefit plans or nontax-qualified employee stock benefit plans, including any stock-based benefit plans.

Federal regulations prohibit PDL Community Bancorp from repurchasing its shares of common stock during the first year following the reorganization unless compelling business reasons exist for such repurchases, or to fund management recognition plans that have been ratified by stockholders (with regulatory approval) or tax-qualified employee stock benefit plans.

OUR CHARITABLE FOUNDATION

General

In furtherance of our commitment to our local communities, a new charitable foundation, Ponce De Leon Foundation, will be established in connection with the reorganization. The foundation will be established as a non-stock, non-profit corporation in connection with the offering. The new charitable foundation will be funded with shares of our common stock and cash, as further described below and is referred herein as "our charitable foundation".

By further enhancing our visibility and reputation in our local communities, we believe that our charitable foundation will enhance the long-term value of Ponce Bank's community banking franchise. The offering presents us with a unique opportunity to provide a substantial and continuing benefit to the communities located in any county or borough in which Ponce Bank has a branch office now or in the future ("our communities") through our charitable foundation.

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Purpose of our Charitable Foundation

In connection with the closing of the offering, we intend to contribute to our charitable foundation \$200,000 and 3.3% of our outstanding shares of common stock. The purpose of our charitable foundation is to provide financial support to appropriate organizations in our communities and to enable our communities to share in our long-term growth. Our charitable foundation will be dedicated to community activities and the promotion of charitable causes, and may be able to support such activities in ways that are not presently available to us. Our charitable foundation will also support our ongoing obligations to the community under the Community Reinvestment Act.

Funding our charitable foundation with shares of our common stock in addition to cash is also intended to allow our communities to share in our potential growth and success after the offering is completed because our charitable foundation will benefit directly from any increases in the value of our shares of common stock. In addition, our charitable foundation will maintain close ties with Ponce Bank, thereby forming a partnership within our communities.

Structure of our Charitable Foundation

Our charitable foundation will be incorporated under Delaware law as a non-stock, nonprofit corporation. The certificate of incorporation of our charitable foundation will provide that the corporation is organized exclusively for charitable purposes as set forth in Section 501(c)(3) of the Code. The certificate of incorporation will further provide that no part of the net earnings of our charitable foundation will inure to the benefit of, or be distributable to, its directors, officers, members or other private individuals.

Our charitable foundation will be governed by a board of directors, initially consisting of seven individuals. Initially and for a period of at least five years after the offering, at least one of the directors of our charitable foundation will be an individual from our local community who has experience with local community charitable organizations and grant making and who is not one of our officers, directors or employees. Unless modified as a result of the requirements under the heading “Regulatory Requirements Imposed on our Charitable Foundation”, the number and terms of office of the directors of the charitable foundation shall be as provided below. The initial board of directors shall be classified, with respect to the time for which they severally hold office, into three classes as nearly equal in number as reasonably possible. One such class of directors shall serve until the 2018 annual meeting of the charitable foundation; another class shall serve until the 2019 annual meeting; and the last such class shall serve until the 2020 annual meeting. Thereafter directors of the charitable foundation will be elected to serve for three-year terms.

The board of directors of our charitable foundation will be responsible for establishing its grant and donation policies, consistent with the purposes for which it was established. As directors of a nonprofit corporation, directors of our charitable foundation will at all times be bound by their fiduciary duty to advance our charitable foundation’s charitable goals, to protect its assets and to act in a manner consistent with the charitable purposes for which our charitable foundation is established. The directors of our charitable foundation also will be responsible for directing the activities of our charitable foundation, including the management and voting of the shares of our common stock held by our charitable foundation. However, as required by applicable regulations, all shares of our common stock held by our charitable foundation must be voted in the same ratio as all other shares of our common stock on all proposals considered by our stockholders.

Our charitable foundation’s initial place of business will be located at our corporate headquarters. The board of directors of our charitable foundation will appoint such officers and employees as may be necessary to manage its operations. To the extent applicable, we will comply with the affiliate restrictions set forth in Sections 23A and 23B of the Federal Reserve Act and the regulations of the Federal Reserve governing transactions between Ponce Bank and our charitable foundation.

Our charitable foundation will receive working capital from the initial cash contribution and from:

- (1) any dividends that may be paid on our shares of common stock in the future;
- (2) within the limits of applicable federal and state laws, loans collateralized by the shares of common stock; or
- (3) the proceeds of the sale of any of the shares of common stock in the open market from time to time.

As a private foundation under Section 501(c)(3) of the Code, our charitable foundation will be required to distribute annually in grants or donations an amount not less than the “distributable amount” as determined under Section 4942(d) of the Code. While the definition and calculation of the “distributable amount” is more involved, it essentially amounts to a minimum of 5.0% of the average fair market value of its net investment assets.

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Tax Considerations

We believe that an organization created for the above purposes should qualify as a Section 501(c)(3) exempt organization under the Code and should be classified as a private foundation. Our charitable foundation will submit a timely request to the Internal Revenue Service to be recognized as an exempt organization. As long as our charitable foundation files its application for tax-exempt status within 27 months of the last day of the month in which it was organized, and provided the Internal Revenue Service approves the application, its effective date as a Section 501(c)(3) organization will be the date of its organization.

PDL Community Bancorp, Ponce Bank and Ponce De Leon Federal Bank are or will be authorized by federal law to make charitable contributions. We believe that the offering presents a unique opportunity to establish and fund a charitable foundation given the substantial amount of additional capital being raised. In making such a determination, we considered the dilutive impact to our stockholders of the contribution of shares of common stock to our charitable foundation.

We believe that our contribution of shares of our common stock to our charitable foundation should not constitute an act of self-dealing and that we should be entitled to a federal tax deduction in the amount of the fair market value of the stock at the time of the contribution. We are permitted to deduct for charitable purposes only an amount equal to 10.0% of our annual taxable income in any one year. We are permitted under the Code to carry the excess contribution over the five-year period following the contribution to our charitable foundation. We estimate that at all levels of the offering range, the contribution should be deductible for federal tax purposes over the six-year period (i.e., the year in which the contribution is made and the succeeding five-year period). However, we do not have any assurance that the Internal Revenue Service will grant tax-exempt status to our charitable foundation. In such event, our contribution to our charitable foundation would be expensed without a tax benefit, resulting in a reduction in earnings in the year in which the Internal Revenue Service makes such a determination. Furthermore, even if the contribution is deductible, we may not have sufficient earnings to be able to use the deduction in full. Any such decision to continue to make additional contributions to our charitable foundation in the future would be based on an assessment of, among other factors, our financial condition at that time, the interests of our stockholders and depositors, and the financial condition and operations of the foundation.

Assuming our charitable foundation is classified by the Internal Revenue Service as a private foundation, then the earnings and gains, if any, from the sale of common stock owned by our charitable foundation or the sale of other assets of our charitable foundation will be exempt from federal and state income taxation. However, investment income, such as interest, dividends and capital gains, is generally taxed at a rate of 2.0%. We anticipate that our charitable foundation will be a calendar year taxpayer, and as such will be required to file an annual return with the Internal Revenue Service on May 15th of each year, with the first such annual return likely being due on May 15, 2018. Our charitable foundation will be required to make its annual return available for public inspection. The annual return for a private foundation includes, among other things, an itemized list of all grants made or approved, showing the amount of each grant, the recipient, any relationship between a grant recipient and the foundation's managers and a concise statement of the purpose of each grant.

Regulatory Requirements Imposed on our Charitable Foundation

Applicable federal regulations impose the following requirements on the establishment of our charitable foundation:

- (1) the Federal Reserve Board may examine our charitable foundation at the charitable foundation's expense;
- (2) our charitable foundation must comply with all supervisory directives imposed by the Federal Reserve Board;
- (3) our charitable foundation must provide annually to the Federal Reserve Board a copy of the annual report that the charitable foundation submits to the Internal Revenue Service;
- (4) our charitable foundation must operate according to written policies adopted by its board of directors, including a conflict of interest policy;
- (5) our charitable foundation may not engage in self-dealing and must comply with all laws necessary to maintain its tax-exempt status under the Code; and
- (6) our charitable foundation must vote its shares of our common stock in the same ratio as all of the other shares voted on each proposal considered by our stockholders.

Within six months of completing the offering, our charitable foundation must submit to the Federal Reserve a business plan, a conflicts of interest policy, a gift instrument, bylaws and a certificate of organization.

RESTRICTIONS ON THE ACQUISITION OF PDL COMMUNITY BANCORP AND PONCE BANK

The principal federal regulatory restrictions which affect the ability of any person, firm or entity to acquire PDL Community Bancorp, Ponce Bank or their respective capital stock are described below. Also discussed are certain provisions in PDL Community Bancorp's charter and bylaws that may be deemed to affect the ability of a person, firm or entity to acquire PDL Community Bancorp.

Mutual Holding Company Structure

Ponce Bank Mutual Holding Company will own a majority of the outstanding common stock of PDL Community Bancorp after the offering and, through its board of directors, will be able to exercise voting control over virtually all matters put to a vote of stockholders. For example, Ponce Bank Mutual Holding Company may exercise its voting control to prevent a sale or merger transaction or to defeat a stockholder nominee for election to the board of directors of PDL Community Bancorp. It will not be possible for another entity to acquire PDL Community Bancorp without the consent of Ponce Bank Mutual Holding Company. Ponce Bank Mutual Holding Company, as long as it remains in the mutual form of organization, will control a majority of the voting stock of PDL Community Bancorp.

Federal Law

Under the Change in Bank Control Act, no person may acquire control of a savings and loan holding company unless the Federal Reserve Board has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition.

Control, as defined under federal law, means ownership, control, or holding with power to vote, of 25% or more of any class of voting stock. Federal regulations establish a rebuttable presumption of control upon ownership, control, or holding with power to vote, of 10% or more of a class of voting stock (i) where the company has registered securities under Section 12 of the Securities Exchange Act of 1934 or (ii) no other person will own control or hold the power to vote a greater percentage of that class of voting securities.

The Federal Reserve Board may deny an acquisition of control if it finds, among other things, that:

- the acquisition would result in a monopoly or substantially lessen competition;
- the financial condition of the acquiring person might jeopardize the financial stability of the institution;
- the competence, experience or integrity of the acquiring person indicates that it would not be in the interest of the depositors or the public to permit the acquisition of control by such person; or
- the acquisition would have an adverse effect on the Deposit Insurance Fund.

For a period of three years following completion of the offering, Federal Reserve Board regulations generally prohibit any person from acquiring or making an offer to acquire beneficial ownership of more than 10% of the stock of PDL Community Bancorp or Ponce Bank without the Federal Reserve Board's prior approval.

Charters and Bylaws of PDL Community Bancorp and Ponce Bank

The following discussion is a summary of provisions of the charter and bylaws of PDL Community Bancorp and Ponce Bank that may be deemed to affect the ability of a person, firm or entity to acquire PDL Community Bancorp. The description is necessarily general and qualified by reference to the charter and bylaws.

Classified Board of Directors. The board of directors of PDL Community Bancorp is required by the charter and bylaws to be divided into three staggered classes that are as equal in size as is possible. Each year one class will be elected by stockholders of PDL Community Bancorp for a three-year term. A classified board promotes continuity and stability of management of PDL Community Bancorp, but makes it more difficult for stockholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur.

Authorized but Unissued Shares of Capital Stock. Following the offering, PDL Community Bancorp will have authorized but unissued shares of preferred stock and common stock. See "Description of Capital Stock of PDL Community Bancorp". Although these shares could be used by the board of directors of PDL Community Bancorp to make it more difficult or to discourage an attempt to obtain control of PDL Community Bancorp through a merger, tender offer, proxy contest or otherwise, it is unlikely that we would use or need to use shares for these purposes since Ponce Bank Mutual Holding Company will own a majority of the common stock for so long as we remain in the mutual holding company structure.

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How Shares are Voted. PDL Community Bancorp's charter provides that there will not be cumulative voting by stockholders for the election of PDL Community Bancorp's directors. No cumulative voting rights means that Ponce Bank Mutual Holding Company, as the holder of a majority of the shares eligible to be voted at a meeting of stockholders, may elect all directors of PDL Community Bancorp to be elected at that meeting. This could prevent minority stockholder representation on PDL Community Bancorp's board of directors.

Restrictions on Acquisitions of Shares. A section in PDL Community Bancorp's charter provides that for a period of five years from the completion of the reorganization, no person, other than Ponce Bank Mutual Holding Company, and, with respect to Ponce Bank, other than Ponce Bank Mutual Holding Company and PDL Community Bancorp, may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of PDL Community Bancorp or Ponce Bank held by persons other than Ponce Bank Mutual Holding Company, and, with respect to Ponce Bank, other than PDL Community Bancorp, and that any shares acquired in excess of this limit would not be entitled to be voted and would not be counted as voting stock in connection with any matters submitted to the stockholders for a vote.

Procedures for Stockholder Nominations and Proposals for New Business. PDL Community Bancorp's bylaws provide that any stockholder wanting to make a nomination for the election of directors or a proposal for new business at a meeting of stockholders must send written notice to the Secretary of PDL Community Bancorp at least five days before the date of the annual meeting. Management believes that it is in the best interests of PDL Community Bancorp and its stockholders to provide enough time for management to disclose to stockholders information about a dissident slate of nominations for directors. This advance notice requirement may also give management time to solicit its own proxies in an attempt to defeat any dissident slate of nominations if management thinks it is in the best interest of stockholders generally. Similarly, adequate advance notice of stockholder proposals will give management time to study such proposals and to determine whether to recommend to the stockholders that such proposals be adopted.

Limitations on Calling Special Meetings of Stockholders. Our federal charter provides that special meetings of our stockholders may be called by the chairman of the board, the president, or a majority of the board of directors, and shall be called by the chairman of the board, the president, or the secretary upon the written request of the holders of not less than one-tenth of all of our outstanding shares of voting stock.

Purpose and Anti-Takeover Effects of PDL Community Bancorp's Charter and Bylaws. Our board of directors believes that the provisions described above are prudent and will reduce our vulnerability to takeover attempts and certain other transactions that have not been negotiated with and approved by our board of directors. These provisions also will assist us in the orderly deployment of the offering proceeds into productive assets during the initial period after the stock offering. We believe these provisions are in the best interests of PDL Community Bancorp and its stockholders. Our board of directors believes that it will be in the best position to determine the true value of PDL Community Bancorp and to negotiate more effectively for what may be in the best interests of all our stockholders. Accordingly, our board of directors believes that it is in the best interests of PDL Community Bancorp and all of our stockholders to encourage potential acquirers to negotiate directly with the board of directors and that these provisions will encourage such negotiations and discourage hostile takeover attempts. It is also the view of our board of directors that these provisions should not discourage persons from proposing a merger or other transaction at a price reflective of the true value of PDL Community Bancorp and that is in the best interests of all our stockholders.

Takeover attempts that have not been negotiated with and approved by our board of directors present the risk of a takeover on terms that may be less favorable than might otherwise be available. A transaction that is negotiated and approved by our board of directors, on the other hand, can be carefully planned and undertaken at an opportune time in order to obtain maximum value for our stockholders, with due consideration given to matters such as the management and business of the acquiring corporation.

Although a tender offer or other takeover attempt may be made at a price substantially above the current market price, such offers are sometimes made for less than all of the outstanding shares of a target company. As a result, stockholders may be presented with the alternative of partially liquidating their investment at a time that may be disadvantageous, or retaining their investment in an enterprise that is under different management and whose objectives may not be similar to those of the remaining stockholders.

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Despite our belief as to the benefits to stockholders of these provisions of PDL Community Bancorp's charter and bylaws, these provisions also may have the effect of discouraging a future takeover attempt that would not be approved by our board of directors, but pursuant to which stockholders may receive a substantial premium for their shares over then current market prices. As a result, stockholders who might desire to participate in such a transaction may not have any opportunity to do so. Such provisions will also make it more difficult to remove our board of directors and management. We believe, however, that the potential benefits outweigh the possible disadvantages.

Benefit Plans

In addition to the provisions of PDL Community Bancorp's charter and bylaws described above, benefit plans of PDL Community Bancorp and Ponce Bank that may authorize the issuance of equity to its board of directors, officers and employees adopted in connection with the offering or proposed to be adopted subsequent thereto, as well as the employment agreements, contain provisions which also may discourage hostile takeover attempts which the board of directors of Ponce Bank might conclude are not in the best interests of PDL Community Bancorp and Ponce Bank or PDL Community Bancorp's stockholders.

DESCRIPTION OF CAPITAL STOCK OF PDL COMMUNITY BANCORP

General

PDL Community Bancorp is authorized to issue 50,000,000 shares of common stock having a par value of \$0.01 per share and 10,000,000 shares of serial preferred stock, par value of \$0.01 per share. Each share of PDL Community Bancorp's common stock will have the same relative rights as, and will be identical in all respects with, each other share of common stock. Upon payment of the purchase price for the common stock in accordance with the plan or reorganization and stock issuance plan, all of the stock will be duly authorized, fully paid and nonassessable. Presented below is a description of the features of PDL Community Bancorp's capital stock that are deemed material to an investment decision with respect to the offering. The common stock of PDL Community Bancorp will represent nonwithdrawable capital, will not be an account of an insurable type, and will not be insured by the FDIC.

PDL Community Bancorp currently expects that it will have a maximum of up to 18,463,030 shares of common stock outstanding after the offering, of which up to 8,917,641 shares will be held by persons other than Ponce Bank Mutual Holding Company. Our board of directors can, without stockholder approval, issue additional shares of common stock, although Ponce Bank Mutual Holding Company, so long as it is in existence, must own a majority of PDL Community Bancorp's outstanding shares of common stock. PDL Community Bancorp's issuance of additional shares of common stock could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control. PDL Community Bancorp has no present plans to issue additional shares of common stock other than pursuant to the stock benefit plans previously discussed.

Common Stock

Distributions. PDL Community Bancorp can pay dividends if, as and when declared by its board of directors, subject to compliance with limitations which are imposed by law. There are no present plans or intentions to declare dividends. The holders of common stock of PDL Community Bancorp will be entitled to receive and share equally in such dividends as may be declared by the board of directors of PDL Community Bancorp out of funds legally available therefor. Dividends from PDL Community Bancorp will depend, in large part, upon receipt of dividends from Ponce Bank, because PDL Community Bancorp initially will have no source of income other than dividends from Ponce Bank, earnings from the investment of proceeds from the sale of shares of common stock, and interest payments with respect to PDL Community Bancorp's loans to the employee stock ownership plan and our charitable foundation. Regulations of the Federal Reserve Board and the Office of the Comptroller of the Currency impose limitations on "capital distributions" by savings institutions.

If PDL Community Bancorp pays dividends to its stockholders, it would likely pay dividends to Ponce Bank Mutual Holding Company, unless Ponce Bank Mutual Holding Company is permitted by the Federal Reserve Board to waive the receipt of dividends. The Federal Reserve Board's current regulations significantly restrict the ability of newly organized mutual holding companies to waive dividends declared by their subsidiaries. Accordingly, because dividends would be required to be paid to Ponce Bank Mutual Holding Company along with all other stockholders, the amount of dividends available for all other stockholders would be less than if Ponce Bank Mutual Holding Company were permitted to waive the receipt of dividends.

Pursuant to our charter, PDL Community Bancorp is authorized to issue preferred stock. If PDL Community Bancorp issues preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

Voting Rights. Upon the effective date of the offering, the holders of common stock of PDL Community Bancorp will possess exclusive voting rights in PDL Community Bancorp. Each holder of common stock will be entitled to one vote per share and will not have any right to cumulate votes in the election of directors. If PDL Community Bancorp issues preferred stock, holders of the preferred stock may also possess voting rights.

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Liquidation. In the event of any liquidation, dissolution or winding up of Ponce Bank, PDL Community Bancorp, as holder of Ponce Bank's capital stock, would be entitled to receive, after payment or provision for payment of all debts and liabilities of Ponce Bank, including all deposit accounts and accrued interest thereon, all assets of Ponce Bank available for distribution. In the event of liquidation, dissolution or winding up of PDL Community Bancorp, the holders of its common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities, all of the assets of PDL Community Bancorp available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Rights to Buy Additional Shares. Holders of the common stock of PDL Community Bancorp will not be entitled to preemptive rights with respect to any shares which may be issued. Preemptive rights are the priority right to buy additional shares if PDL Community Bancorp issues more shares in the future. The common stock is not subject to redemption.

Preferred Stock

None of the shares of PDL Community Bancorp's authorized preferred stock will be issued in the offering. Such stock may be issued with such preferences and designations as our board of directors may from time to time determine. Our board of directors can, without stockholder approval, issue preferred stock with voting, dividend, liquidation and conversion rights which could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control. The issuance of preferred stock must be approved by a majority of our independent directors who do not have an interest in the transaction and who have access, at our expense, to legal counsel. PDL Community Bancorp has no present plans to issue preferred stock.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer and Trust Company, Brooklyn, New York, will act as the transfer agent and registrar for the common stock.

LEGAL AND TAX MATTERS

The legality of the common stock has been passed upon for Ponce De Leon Federal Bank and PDL Community Bancorp by the firm of Locke Lord LLP, Washington, D.C. The legality of the federal income tax consequences of the reorganization and offering has been passed upon for Ponce De Leon Federal Bank and PDL Community Bancorp by the firm of . The New York and New Jersey state income tax consequences of the reorganization and offering have been passed upon for Ponce De Leon Federal Bank and PDL Community Bancorp by Crowe Horwath LLP, New York, New York. Locke Lord LLP, and Crowe Horwath LLP have consented to the references in this prospectus to their opinions. Certain legal matters regarding the reorganization and offering will be passed upon for Raymond James & Associates, Inc. by Silver, Freedman, Taff & Tieman LLP, Washington, D.C.

EXPERTS

The financial statements of Ponce De Leon Federal Bank as of December 31, 2016 and 2015 and for each of the years in the two-year period ended December 31, 2016 have been audited by Mazars USA LLP, an independent registered public accounting firm, as stated in their report thereon and included in this prospectus and the registration statement in reliance upon such report of such firm as experts in accounting and auditing.

RP Financial, LC. has consented to the publication in this prospectus of the summary of its report to Ponce De Leon Federal Bank and PDL Community Bancorp setting forth its opinion as to the estimated pro forma market value of the common stock upon the completion of the reorganization and offering and its valuation with respect to subscription rights.

WHERE YOU CAN FIND MORE INFORMATION

PDL Community Bancorp has filed a registration statement with the Securities and Exchange Commission under the Securities Act of 1933, with respect to the common stock offered hereby. As permitted by the rules and regulations of the Securities and Exchange Commission, this prospectus does not contain all the information set forth in the registration statement. This information, including the appraisal report which is an exhibit to the registration statement, can be examined without charge at the Public Reference Room of the Securities and Exchange Commission located at 100 F Street, N.E., Washington, D.C. 20549 and copies of the material can be obtained from the Securities and Exchange Commission at prescribed rates. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The registration statement also is available through the Securities and Exchange Commission's website on the internet at <http://www.sec.gov>. The statements

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contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are, of necessity, brief descriptions thereof and are not necessarily complete but do contain all material information regarding the documents; each statement is qualified by reference to the contract or document.

PDL Community Bancorp and Ponce De Leon Federal Bank have filed applications with the Federal Reserve Board, the Office of the Comptroller of the Currency and the FDIC with respect to the reorganization and offering. Pursuant to the rules and regulations of the Federal Reserve Board, this prospectus omits certain information contained in such applications. To obtain a copy of non-confidential portions of the applications filed with the Federal Reserve Board, the Office of the Comptroller of the Currency and the FDIC, you may contact Robert Tillman, Applications Manager of the Federal Reserve Bank of Philadelphia, at (215) 574-6600, the Northeastern District Office of the Office of the Comptroller of the Currency located at 340 Madison Avenue, New York, New York 10173, and the New York Regional Office of the FDIC located at 350 Fifth Avenue, New York, New York 10118-0110.

A copy of the charter and bylaws of PDL Community Bancorp is available without charge from Ponce De Leon Federal Bank.

REGISTRATION REQUIREMENTS

In connection with the offering, PDL Community Bancorp will register its common stock with the Securities and Exchange Commission under Section 12(b) of the Securities Exchange Act of 1934. Upon this registration, PDL Community Bancorp and the holders of its shares of common stock will become subject to the proxy solicitation rules, reporting requirements and restrictions on stock purchases and sales by directors, officers and greater than 10% stockholders, the annual and periodic reporting and certain other requirements of the Securities Exchange Act of 1934. Under the plan of reorganization, PDL Community Bancorp has undertaken that it will not terminate this registration for a period of at least three years following the completion of the reorganization.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors
Ponce De Leon Federal Bank
Bronx, New York

We have audited the accompanying consolidated statements of financial condition of Ponce De Leon Federal Bank and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in capital accounts, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ponce De Leon Federal Bank and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Mazars USA LLP

New York, New York
March 15, 2017

[Table of Contents](#)**Ponce De Leon Federal Bank and Subsidiaries****Consolidated Statements of Financial Condition****December 31, 2016 and 2015****(In thousands of US dollars unless otherwise stated)**

	2016	2015
ASSETS		
Cash and due from banks (Note 2):		
Cash	\$ 4,796	\$ 5,435
Interest-bearing deposits in banks	6,920	7,259
Total cash and cash equivalents	11,716	12,694
Available-for-sale securities, at fair value (Note 3)	52,690	82,034
Loans held for sale	2,143	3,303
Loans receivable, net of allowance for loan losses - 2016 \$10,205; 2015 \$9,484 (Note 4)	642,148	567,662
Accrued interest receivable	2,707	2,668
Other real estate owned	-	76
Bank premises and equipment, net (Note 5)	26,028	27,177
Federal Home Loan Bank Stock (FHLB), at cost	964	1,162
Deferred tax assets (Note 8)	3,379	3,765
Core deposit intangible, net	3	132
Other assets	3,205	2,484
Total assets	\$744,983	\$703,157
LIABILITIES AND CAPITAL ACCOUNTS		
Liabilities:		
Deposits (Note 6)	\$643,078	\$599,506
Accrued interest payable	28	36
Advance payments by borrowers for taxes and insurance	3,882	2,600
Advances from the Federal Home Loan Bank (Note 7)	3,000	8,000
Other liabilities	2,003	1,953
Total liabilities	651,991	612,095
Commitments and contingencies (Note 10)		
Capital accounts:		
Retained earnings	99,242	97,817
Accumulated other comprehensive loss (Note 13):		
Net unrealized loss on available-for-sale securities, net of taxes	(166)	(370)
Defined benefit pension liabilities, net of taxes (Note 9)	(6,084)	(6,385)
Total capital accounts	92,992	91,062
Total liabilities and capital accounts	\$744,983	\$703,157

The accompanying notes are an integral part of the consolidated financial statements.

[Table of Contents](#)**Ponce De Leon Federal Bank and Subsidiaries****Consolidated Statements of Income****Years Ended December 31, 2016 and 2015****(In thousands of US dollars unless otherwise stated)**

	<u>2016</u>	<u>2015</u>
Interest and dividend income:		
Interest on loans receivable	\$32,660	\$32,100
Interest and dividends on investment securities and FHLB stock	1,081	1,490
Total interest and dividend income	33,741	33,590
Interest expense:		
Interest on certificates of deposit	5,502	5,268
Interest on other deposits	427	321
Interest on borrowings	7	61
Total interest expense	5,936	5,650
Net interest income	27,805	27,940
Provision for loan losses (Note 4)	(57)	353
Net interest income after provision for loan losses	27,862	27,587
Noninterest income:		
Service charges and fees	938	1,073
Brokerage commissions	515	421
Late and prepayment charges	302	548
Other	676	420
Total noninterest income	2,431	2,462
Noninterest expense:		
Compensation and benefits	14,979	13,463
Occupancy expense	5,651	5,754
Data processing expenses	1,617	1,299
Direct loan expenses	860	725
Insurance and surety bond premiums	464	699
Office supplies, telephone and postage	1,071	997
FDIC deposit insurance assessment	538	899
Other operating expenses	2,683	2,380
Total noninterest expense	27,863	26,216
Income before income taxes	2,430	3,833
Provision for income taxes (Note 8)	1,005	1,315
Net income	\$ 1,425	\$ 2,518

The accompanying notes are an integral part of the consolidated financial statements.

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Ponce De Leon Federal Bank and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)

	<u>2016</u>	<u>2015</u>
Net income	<u>\$1,425</u>	<u>\$ 2,518</u>
Other comprehensive loss:		
Net change in unrealized gains (loss) on securities available-for-sale:		
Unrealized gains	309	847
Income tax effect	<u>(105)</u>	<u>(372)</u>
Unrealized gains on securities, net	204	475
Pension benefit liability adjustment:		
Net gain (loss) during the year	456	(1,829)
Reclassification adjustment for amortization of prior service cost and net gain included in net periodic pension cost	—	245
Income tax effect	<u>(155)</u>	<u>53</u>
Pension liability adjustment, net of tax	301	(1,531)
Other comprehensive income (loss), net of tax	<u>505</u>	<u>(1,056)</u>
Total comprehensive income	<u>\$1,930</u>	<u>\$ 1,462</u>

The accompanying notes are an integral part of the consolidated financial statements.

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Ponce De Leon Federal Bank and Subsidiaries

Consolidated Statements of Changes in Capital Accounts
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)

	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2014	\$95,299	\$ (5,699)	\$89,600
Net income	2,518	—	2,518
Other comprehensive loss, net of tax	—	(1,056)	(1,056)
Balance, December 31, 2015	<u>97,817</u>	<u>(6,755)</u>	<u>91,062</u>
Net income	1,425	—	1,425
Other comprehensive income, net of tax	—	505	505
Balance, December 31, 2016	<u><u>\$99,242</u></u>	<u><u>\$ (6,250)</u></u>	<u><u>\$92,992</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

[Table of Contents](#)**Ponce De Leon Federal Bank and Subsidiaries****Consolidated Statements of Cash Flows**
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)

	2016	2015
Cash Flows From Operating Activities:		
Net income	\$ 1,425	\$ 2,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums on securities, net	11	6
Loss on sale of loans	13	73
Write-down of loans held for sale	—	9
Write-down of other real estate owned	—	86
Gain on sale of other real estate owned	(4)	—
Provision for loan losses	(57)	353
Depreciation and amortization	1,679	1,817
Amortization of core deposit intangible assets	129	144
Deferred income taxes	126	1,086
Changes in assets and liabilities:		
(Increase) decrease in accrued interest receivable	(39)	81
Decrease in other assets	175	3,168
Decrease in accrued interest payable	(8)	(10)
Net increase (decrease) in other liabilities	893	(4,101)
Net cash provided by operating activities	4,343	5,230
Cash Flows From Investing Activities:		
Net decrease in investments in FHLB Stock	198	105
Purchases of available-for-sale securities	(25,914)	—
Proceeds from maturities, calls and principal repayments on available-for-sale securities	55,556	19,381
Proceeds from sales of loans	4,386	3,981
Net increase in loans	(77,669)	(29,385)
Proceeds from sale of other real estate owned	80	—
Purchases of premises and equipment	(530)	(276)
Net cash used in investing activities	(43,893)	(6,194)

The accompanying notes are an integral part of the consolidated financial statements

[Table of Contents](#)**Ponce De Leon Federal Bank and Subsidiaries****Consolidated Statements of Cash Flows**
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)

	2016	2015
Cash Flows From Financing Activities:		
Net increase (decrease) in deposits	\$43,572	\$ (191)
Net decrease in FHLB advances	<u>(5,000)</u>	<u>(2,000)</u>
Net cash provided by (used in) financing activities	38,572	(2,191)
Net decrease in cash and cash equivalents	(978)	(3,155)
Cash and Cash Equivalents:		
Beginning	<u>12,694</u>	<u>15,849</u>
Ending	<u>\$11,716</u>	<u>\$12,694</u>
Supplemental Disclosures:		
Cash paid during the year:		
Interest	<u>\$ 5,944</u>	<u>\$ 5,660</u>
Income taxes	<u>\$ 1,280</u>	<u>\$ 1,598</u>
Supplemental Disclosures of Noncash Investing Activities:		
Transfer of loans and loans held for sale to other real estate owned	<u>\$ —</u>	<u>\$ —</u>
Transfer of loans to loans held for sale	<u>\$ 3,239</u>	<u>\$ 6,526</u>
Transfer of loans held for sale to loans	<u>\$ —</u>	<u>\$ 1,867</u>

The accompanying notes are an integral part of the consolidated financial statements.

Ponce De Leon Federal Bank and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies

Ponce De Leon Federal Bank (the “Bank”) was formed by a charter issued by the Federal Home Loan Bank (“FHLB”) Board on March 31, 1960 as a federal savings and loan association, and it is regulated by the Office of Comptroller of the Currency (the “OCC”). The Bank operates as a mutual institution and has not issued any common stock. The Bank’s primary business activities include attracting deposits from the general public and originating real property mortgage loans (e.g., 1-4 family home mortgages, multifamily and construction property loans). The Bank also makes nonresidential real estate loans, commercial business and consumer loans. The Bank is subject to competition from other financial institutions. Deposits at the Bank are insured up to applicable limits by the Federal Deposit Insurance Corporation (the “FDIC”).

The following is a summary of the Bank’s significant accounting policies:

Basis of Financial Statement Presentation and Use of Estimates: The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and general practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the consolidated statement of financial condition, and revenues and expenses for 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, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, the valuation of loans held for sale, the valuation of deferred tax assets and investment securities, and the determination of pension benefit obligations.

Principles of Consolidation: The consolidated financial statements include the accounts of Ponce de Leon Federal Bank and its wholly-owned subsidiaries, PFS Service Corp., which owns some of the Bank’s real property, and Ponce de Leon Mortgage Corp., which is a mortgage banking entity. All significant intercompany transactions and balances have been eliminated in consolidation.

Significant Group Concentrations of Credit Risk: Most of the Bank’s activities are with customers located within New York City. Accordingly, the ultimate collectability of a substantial portion of the Bank’s loan portfolio is susceptible to changes in the local market conditions. Note 3 discusses the types of securities that the Bank invests in. Notes 4 and 10 discuss the types of lending that the Bank engages in, and other concentrations.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and amounts due from banks (including items in process of clearing). For purposes of reporting cash flows, the Bank considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash flows from loans originated by the Bank, interest-bearing deposits in financial institutions, and deposits are reported net.

Securities: Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each statement of financial condition date.

Debt securities that management has the positive intent and ability to hold to maturity, if any, are classified as “held to maturity” and recorded at amortized cost. Trading securities, if any, are carried at fair value, with unrealized gains and losses recognized in earnings. Securities not classified as held to maturity or trading, are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of taxes. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Ponce De Leon Federal Bank and Subsidiaries

**Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)**

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the consolidated statement of income and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the discounted present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method. The sale of a held-to-maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Federal Home Loan Bank Stock: The Bank is a member of the Federal Home Loan Bank of New York (the “FHLB”). Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans Receivable: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at current unpaid principal balances, net of the allowance for loan losses and including net deferred loan origination fees and costs.

Interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method without anticipating prepayments.

A loan is moved to nonaccrual status in accordance with the Bank’s policy, typically after 90 days of non-payment. The accrual of interest on mortgage and commercial loans is generally discontinued at the time the loan becomes 90 days past due unless the loan is well-secured and in process of collection. Consumer loans are typically charged off no later than 120 days past due. Past-due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off if collection of principal or interest is considered doubtful. All nonaccrual loans are considered impaired loans.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash-basis or recorded against principal balances only, until qualifying for return to accrual. Cash-basis interest recognition is only applied on nonaccrual loans with a sufficient collateral margin to ensure no doubt with respect to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and remain current for a period of time (typically six months) and future payments are reasonably assured.

Ponce De Leon Federal Bank and Subsidiaries

Notes to Consolidated Financial Statements

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Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, 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 when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings ("TDR") and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impaired loans are measured for impairment using the fair value of the collateral, present value of cash flows, or the observable market price of the note. Impairment measurement for all collateral dependent loans, excluding accruing TDR's is based on the fair value of collateral, less costs to sell, if necessary. A loan is considered collateral dependent if repayment of the loan is expected to be provided solely by the sale or the operation of the underlying collateral.

When the Bank modifies a loan in a TDR, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the most recent 5 years. This actual loss experience 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.

When establishing the allowance for loan losses, management categorizes loans into risk categories reflecting individual borrower earnings, liquidity, leverage and cash flow, as well as the nature of underlying collateral. These risk categories and relevant risk characteristics are as follows:

Residential and Multifamily Mortgage Loans: The majority of loans at the Bank are secured by first mortgages. Residential and multifamily mortgage loans are typically underwritten at no more than a 75% loan-to-value ratio.

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Ponce De Leon Federal Bank and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The risks involved in residential mortgages are the borrower's loss of employment, or other significant event, that negatively impacts the source of repayment. Additionally, a serious decline in home values could jeopardize the Bank's position in the event that the underlying collateral needs to be liquidated to pay off the loan.

Nonresidential Mortgage Loans: Nonresidential mortgage loans are primarily secured by apartment buildings, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, restaurants and nursing homes. Although terms vary, commercial real estate loans generally have amortization periods of 15 to 30 years, as well as balloon payments of two to five years, and terms which provide that the interest rates thereon may be adjusted annually at the Bank's discretion, based on a designated index.

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

Business Loans: Business loans are loans for commercial, corporate and business purposes, including issuing letters of credit. These loans are secured by business assets or may be unsecured and repayment is directly dependent on the successful operation of the borrower's business and the borrower's ability to convert the assets to operating revenue and possess greater risk than most other types of loans should the repayment capacity of the borrower not be adequate. Business loans generally have terms of five years or less and interest rates that float in accordance with a designated published index. Substantially all such loans are secured and backed by the personal guarantees of the owners of the business.

Consumer Loans: Consumer loans generally have higher interest rates than mortgage loans. The risk involved in consumer loans is the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans include passbook loans and other secured and unsecured loans that have been made for a variety of consumer purposes.

Loans Held for Sale: Loan sales occur from time to time as part of strategic business or regulatory compliance initiatives. Loans held for sale, including deferred fees and costs, are reported at the lower of cost or fair value as determined by expected bid prices from potential investors. Loans are sold without recourse and servicing released. When a loan is transferred from portfolio to held for sale and the fair value is less than cost, a charge off is recorded against the allowance for loan loss. Subsequent declines in fair value, if any, are charged against earnings.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset, (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership, (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest, or recourse to the transferor other than standard representation or warranties, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred

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Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

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 either (a) an agreement to repurchase them before their maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a clean-up call.

Core Deposit Intangible Assets: Acquired intangible assets with finite lives, such as core deposit intangibles with a remaining unamortized balance included in other assets of \$3 and \$132, at December 31, 2016 and 2015, respectively, are initially recorded at estimated fair value and are amortized over their estimated lives. The Bank currently amortizes its core deposit intangible, resulting from a branch acquisition, using an accelerated method over an estimated useful life of approximately six years. The Bank periodically assesses whether events or changes in circumstances indicate that the carrying amounts of the core deposit intangible asset may be impaired.

Bank Premises and Equipment: Bank premises and equipment are stated at cost, less accumulated depreciation.

Depreciation is computed and charged to operations using the straight-line method over the estimated useful lives of the respective assets as follows:

	Years
Building	39
Building improvements	15 - 39
Furniture, fixtures, and equipment	3 - 10

Leasehold improvements are amortized over the shorter of the improvements' estimated economic lives or the related lease terms, including extensions expected to be exercised. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized. Leasehold improvements in process are not amortized until the assets are placed in operation.

Impairment of Long-Lived Assets: Long-lived assets, including Bank premises and equipment which are held and used by the Bank and intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Other Real Estate Owned: Other Real Estate Owned ("OREO") represents properties acquired through, or in lieu of, loan foreclosure or other proceedings. OREO is initially recorded at fair value, less estimated disposal costs, at the date of foreclosure, which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value, less estimated costs of disposal. Any write-down to fair value, at the time of transfer to OREO, is charged to the allowance for loan losses. Properties are evaluated regularly to ensure that the recorded amounts are supported by current fair values and charges against earnings are recorded as necessary to reduce the carrying amount to fair value, less estimated costs to dispose. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the OREO, while costs relating to holding the property are expensed. Gains or losses are included in operations upon disposal.

Income Taxes: The Bank recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences

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Ponce De Leon Federal Bank and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

At December 31, 2016 and 2015, there are no liabilities recorded related to uncertain tax positions. The Bank is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2013.

Interest and penalties associated with unrecognized tax benefits, if any, would be classified as additional provision for income taxes in the consolidated statements of income.

Related Party Transactions: Directors and officers of the Bank and their affiliates have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risk of collectability, nor favored treatment or terms, nor present other unfavorable features. Note 14 contains details regarding related party transactions.

Pension Benefits: The Bank has a noncontributory defined benefit pension plan providing benefits for substantially all employees. Pension costs are accrued based on the frozen initial liability cost method. The Bank's funding policy is to contribute annually the amounts sufficient to meet the minimum funding standards established by the Employee Retirement Income Security Act ("ERISA"), and additional amounts as determined by management based on actuary recommendations.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, unrecognized gains and losses on actuarial loss and prior service cost of the defined benefit plan, which are also recognized as separate components of equity.

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 are now such matters that will have a material effect on the operations and financial position of the Bank.

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Ponce De Leon Federal Bank and Subsidiaries

Notes to Consolidated Financial Statements

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Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. 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 these estimates.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Note 2. Restrictions on Cash and Due From Banks

The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank, based on a percentage of deposits. The Bank had \$4,516 and \$5,262 in cash to cover its minimum reserve requirements of \$2,349 and \$2,063 at December 31, 2016 and 2015, respectively.

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Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)****Note 3. Available-for-Sale Securities**

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities at December 31, 2016 and 2015 are summarized as follows:

	December 31, 2016			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Government and Federal Agencies	\$ 41,906	\$ —	\$ (347)	\$ 41,559
Certificates of Deposit	500	—	—	500
Mortgage-Backed Securities:				
FHLMC Certificates	192	24	—	216
FNMA Certificates	3,600	11	(5)	3,606
GNMA Certificates	6,744	97	(32)	6,809
	<u>\$ 52,942</u>	<u>\$ 132</u>	<u>\$ (384)</u>	<u>\$ 52,690</u>

	December 31, 2015			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Government and Federal Agencies	\$ 71,899	\$ —	\$ (733)	\$ 71,166
Mortgage-Backed Securities:				
FHLMC Certificates	202	20	—	222
FNMA Certificates	4,411	25	(4)	4,432
GNMA Certificates	6,084	130	—	6,214
	<u>\$ 82,596</u>	<u>\$ 175</u>	<u>\$ (737)</u>	<u>\$ 82,034</u>

The Bank had no investments that were classified as held to maturity as of December 31, 2016 and 2015. There were no sales of investment securities in 2016 or 2015.

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Ponce De Leon Federal Bank and Subsidiaries

Notes to Consolidated Financial Statements
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Note 3. Available-for-Sale Securities (Continued)

The following tables present the Bank's securities' gross unrealized losses and fair values, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at December 31, 2016 and 2015:

	December 31, 2016					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total Fair Value	Total Unrealized Loss
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss		
U.S. Government and Federal Agencies	\$ 41,559	\$ (347)	\$ —	\$ —	\$41,559	\$ (347)
Mortgage-Backed						
FHLMC Certificates	—	—	—	—	—	—
FNMA Certificates	3,489	(5)	—	—	3,489	(5)
GNMA Certificates	2,645	(32)	—	—	2,645	(32)
	<u>\$ 47,693</u>	<u>\$ (384)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$47,693</u>	<u>\$ (384)</u>
	December 31, 2015					
	Securities With Gross Unrealized Losses					
	Less Than 12 Months		12 Months or More		Total Fair Value	Total Unrealized Loss
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss		
U.S. Government and Federal Agencies	\$ 15,759	\$ (106)	\$ 55,407	\$ (627)	\$71,166	\$ (733)
Mortgage-Backed						
FHLMC Certificates	—	—	—	—	—	—
FNMA Certificates	1,956	(4)	—	—	1,956	(4)
GNMA Certificates	—	—	—	—	—	—
	<u>\$ 17,715</u>	<u>\$ (110)</u>	<u>\$ 55,407</u>	<u>\$ (627)</u>	<u>\$73,122</u>	<u>\$ (737)</u>

The Bank's investment portfolio had 52 and 63 investment securities at December 31, 2016 and 2015, respectively. Management believes that the unrealized losses on 25 and 33 of its investment securities at December 31, 2016 and 2015, respectively, are not other than temporary because the unrealized losses in those securities relate to market interest rate changes and the Bank has the ability to hold them and does not have the intent to sell these securities, and it is not more likely than not that the Bank will be required to sell

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Note 3. Available-for-Sale Securities (Continued)

these securities, before recovery of the cost basis. In addition, management also considers the issuers of the securities to be financially sound and believes the Bank will receive all contractual principal and interest related to these investments.

The following is a summary of maturities of securities at December 31, 2016. Amounts are shown by contractual maturity. Because borrowers for mortgage-backed securities have the right to prepay obligations with or without prepayment penalties, these securities are not included within the maturity summary.

	Available-for-Sale	
	Amortized Cost	Fair Value
U.S. Government and Federal Agency Securities:		
Amounts maturing:		
After three months through one year	\$ 2,000	\$ 1,998
After one year through five years	<u>39,906</u>	<u>39,561</u>
	41,906	41,559
Certificates of Deposits		
After three months through one year	500	500
Mortgage-Backed Securities	<u>10,536</u>	<u>10,631</u>
Total	<u>\$ 52,942</u>	<u>\$52,690</u>

There were no securities pledged at December 31, 2016 and December 31, 2015.

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Note 4. Loans Receivable and Allowance for Loan Losses

Loans at December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Mortgage loans:		
1-4 family residences	\$325,040	\$309,292
Multifamily residences	158,200	122,836
Nonresidential properties	121,500	106,462
Construction and land	30,340	22,883
Nonmortgage loans:		
Business loans	15,719	14,350
Consumer loans	843	788
	<u>651,642</u>	<u>576,611</u>
Net deferred loan origination costs	711	535
Allowance for losses on loans	<u>(10,205)</u>	<u>(9,484)</u>
Loans, net	<u>\$642,148</u>	<u>\$567,662</u>

The Bank's lending activities are conducted principally in New York City. The Bank grants primarily loans secured by real estate to individuals and businesses. The Bank has established credit policies applicable to each type of lending activity in which it engages. The Bank evaluates the creditworthiness of each customer and, in most cases, extends credit up to 75% of the market value of the collateral at the date of the credit extension, depending on the borrowers' creditworthiness and the type of collateral. The market value of collateral is monitored on an ongoing basis and additional collateral is obtained when warranted. Real estate is the primary form of collateral. Other important forms of collateral are time deposits and marketable securities. While collateral provides assurance as a secondary source of repayment, the Bank ordinarily requires the primary source of repayment to be based on the borrowers' ability to generate continuing cash flows.

For disclosures related to the allowance for loan losses and credit quality, the Bank does not have any disaggregated classes of loans below the segment level.

Credit-Quality Indicators: The Bank utilizes internally assigned risk ratings as its credit-quality indicators, which are reviewed by management on a quarterly basis.

The objectives of the Bank's risk-rating system are to provide the board of directors and senior management with an objective assessment of the overall quality of the loan portfolio, to promptly and accurately identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss, to identify relevant trends affecting the collectability of the loan portfolio and to isolate potential problem areas and to provide essential information for determining the adequacy of the allowance for loan losses.

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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

Below are the definitions of the Bank's internally assigned risk ratings:

- **Strong Pass** – Loans to new or existing borrowers collateralized at least 90 percent by an unimpaired deposit account at the Bank.
- **Good Pass** – A loan to a new or existing borrower like a well-established business in excellent financial condition with strong liquidity and a history of consistently high level of earnings, cash flow and debt service capacity.
- **Satisfactory Pass** – Loan to a new or existing borrower of average strength with acceptable financial condition, satisfactory record of earnings and sufficient historical and projected cash flow to service the debt.
- **Performance Pass** – New or existing loans evidencing less than average strength, financial condition, record of earnings, or projected cash flows with which to service debt.
- **Special Mention** – Loans in this category are currently protected but show one or more potential weakness and risks which may inadequately protect the Bank's credit position or borrower's ability to meet repayment terms at some future date if the weakness is not checked or corrected.
- **Substandard** – Loans that are inadequately protected by the repayment capacity of the borrower or the current sound net worth of the collateral pledged, if any. Loans in this category have well defined weaknesses and risks that jeopardize the repayment. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- **Doubtful** – Loans that have all the weaknesses of loans classified as "Substandard" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable.

Loans within the top four categories above are considered pass rated, as commonly defined. Risk ratings are assigned as necessary to differentiate risk within the portfolio. They are reviewed on an ongoing basis and revised to reflect changes in the borrowers' financial condition and outlook, debt service coverage capability, repayment performance, collateral value and coverage as well as other considerations.

The following tables present credit risk ratings by loan segment as of December 31, 2016 and 2015:

Risk Rating:	December 31, 2016						
	Mortgage Loans				Nonmortgage Loans		Total Loans
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	
Pass	\$313,345	\$ 158,200	\$ 117,467	\$ 24,316	\$15,697	\$ 843	\$629,868
Special mention	2,549	—	—	—	—	—	2,549
Substandard	9,146	—	4,033	6,024	22	—	19,225
Doubtful	—	—	—	—	—	—	—
Total	\$325,040	\$ 158,200	\$ 121,500	\$ 30,340	\$15,719	\$ 843	\$651,642

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Notes to Consolidated Financial Statements
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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

	December 31, 2015						
	Mortgage Loans				Nonmortgage Loans		Total Loans
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	
Risk Rating:							
Pass	\$295,796	\$ 122,836	\$ 101,858	\$ 16,740	\$14,338	\$ 788	\$552,356
Special mention	3,020	—	359	3,090	—	—	6,469
Substandard	10,476	—	4,245	3,053	12	—	17,786
Doubtful	—	—	—	—	—	—	—
Total	<u>\$309,292</u>	<u>\$ 122,836</u>	<u>\$ 106,462</u>	<u>\$ 22,883</u>	<u>\$14,350</u>	<u>\$ 788</u>	<u>\$576,611</u>

An aging analysis of loans, as of December 31, 2016 and 2015, is as follows:

	December 31, 2016						
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total	Nonaccrual Loans	Over 90 Days Accruing
Mortgages:							
1-4 Family	\$317,146	\$ 5,278	\$ 557	\$ 2,059	\$325,040	\$ 4,158	\$ —
Multifamily	157,381	819	—	—	158,200	—	—
Nonresidential properties	119,465	41	—	1,994	121,500	2,397	—
Construction and land	30,340	—	—	—	30,340	1,145	—
Nonmortgage Loans:							
Business	15,672	25	—	22	15,719	22	—
Consumer	843	—	—	—	843	—	—
Total	<u>\$640,847</u>	<u>\$ 6,163</u>	<u>\$ 557</u>	<u>\$ 4,075</u>	<u>\$651,642</u>	<u>\$ 7,722</u>	<u>\$ —</u>

	December 31, 2015						
	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total	Nonaccrual Loans	Over 90 Days Accruing
Mortgages:							
1-4 Family	\$302,476	\$ 3,329	\$ 970	\$ 2,517	\$309,292	\$ 6,367	\$ —
Multifamily	122,752	84	—	—	122,836	—	—
Nonresidential properties	104,868	680	55	859	106,462	2,488	—
Construction and land	22,883	—	—	—	22,883	637	—
Nonmortgage Loans:							
Business	14,350	—	—	—	14,350	13	—
Consumer	788	—	—	—	788	—	—
Total	<u>\$568,117</u>	<u>\$ 4,093</u>	<u>\$ 1,025</u>	<u>\$ 3,376</u>	<u>\$576,611</u>	<u>\$ 9,505</u>	<u>\$ —</u>

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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following schedules illustrate the composition of the allowance for loan losses and the related recorded investment in loans as of December 31, 2016 and 2015:

	December 31, 2016						
	Mortgage Loans				Nonmortgage Loans		Total
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	2016
Allowances for loan losses:							
Balance, beginning of year	\$ 4,969	\$ 1,994	\$ 1,298	\$ 502	\$ 709	\$ 12	\$ 9,484
Provision charged to expense	(140)	713	13	193	(845)	9	(57)
Losses charged off	(38)	(3)	—	(85)	—	(13)	(139)
Recoveries	160	1	9	5	733	9	917
Balance, end of year	<u>\$ 4,951</u>	<u>\$ 2,705</u>	<u>\$ 1,320</u>	<u>\$ 615</u>	<u>\$ 597</u>	<u>\$ 17</u>	<u>\$ 10,205</u>
Ending balance: individually evaluated for impairment	\$ 1,102	\$ —	\$ 261	\$ —	\$ 10	\$ —	\$ 1,373
Ending balance: collectively evaluated for impairment	3,849	2,705	1,059	615	587	17	8,832
Total	<u>\$ 4,951</u>	<u>\$ 2,705</u>	<u>\$ 1,320</u>	<u>\$ 615</u>	<u>\$ 597</u>	<u>\$ 17</u>	<u>\$ 10,205</u>
Loans:							
Ending balance: individually evaluated for impairment	\$ 17,856	\$ —	\$ 6,459	\$ 1,145	\$ 615	\$ —	\$ 26,075
Ending balance: collectively evaluated for impairment	307,184	158,200	115,041	29,195	15,104	843	625,567
Total	<u>\$325,040</u>	<u>\$ 158,200</u>	<u>\$ 121,500</u>	<u>\$ 30,340</u>	<u>\$15,719</u>	<u>\$ 843</u>	<u>\$651,642</u>
	December 31, 2015						
	Mortgage Loans				Nonmortgage Loans		Total
	1-4 Family	Multi-Family	Nonresidential	Construction and Land	Business	Consumer	2014
Allowances for loan losses:							
Balance, beginning of year	\$ 5,004	\$ 1,669	\$ 1,529	\$ 504	\$ 732	\$ 11	\$ 9,449
Provision charged to expense	184	582	(243)	75	(247)	2	353
Losses charged off	(282)	(257)	(19)	(77)	—	(8)	(643)
Recoveries	63	—	31	—	224	7	325
Balance, end of year	<u>\$ 4,969</u>	<u>\$ 1,994</u>	<u>\$ 1,298</u>	<u>\$ 502</u>	<u>\$ 709</u>	<u>\$ 12</u>	<u>\$ 9,484</u>
Ending balance: individually evaluated for impairment	\$ 1,169	\$ —	\$ 277	\$ —	\$ 1	\$ —	\$ 1,447
Ending balance: collectively evaluated for impairment	3,800	1,994	1,021	502	708	12	8,037
Total	<u>\$ 4,969</u>	<u>\$ 1,994</u>	<u>\$ 1,298</u>	<u>\$ 502</u>	<u>\$ 709</u>	<u>\$ 12</u>	<u>\$ 9,484</u>
Loans:							
Ending balance:							
individually evaluated for impairment	\$ 21,259	\$ —	\$ 6,671	\$ 637	\$ 826	\$ —	\$ 29,393
Ending balance: collectively evaluated for impairment	288,033	122,836	99,791	22,246	13,524	788	547,218
Total	<u>\$309,292</u>	<u>\$ 122,836</u>	<u>\$ 106,462</u>	<u>\$ 22,883</u>	<u>\$14,350</u>	<u>\$ 788</u>	<u>\$576,611</u>

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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

Loans are considered impaired when current information and events indicate that the Bank may be unable to collect all amounts due according to the contractual terms of the related loan agreements. The Bank identifies impaired loans, including TDR's, by applying its normal loan review procedures in accordance with its Allowance for Loan Loss methodology. Management periodically assesses loans to determine whether impairment exists. Any loan that is or will potentially no longer perform in accordance with the terms of the original loan contract is evaluated to determine impairment. The following information relates to impaired loans as of and for the years ended December 31, 2016 and 2015:

	Unpaid Contractual Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized on Cash Basis
2016							
Mortgages:							
1-4 Family	\$ 19,367	\$ 7,507	\$ 10,349	\$ 17,856	\$ 1,102	\$ 20,131	\$ 722
Multifamily	—	—	—	—	—	309	—
Nonresidential properties	7,096	3,897	2,562	6,459	261	6,541	235
Construction and land	1,241	1,145	—	1,145	—	912	—
Nonmortgage Loans:							
Business	672	605	10	615	10	748	24
Consumer	—	—	—	—	—	—	—
Total	\$ 28,376	\$ 13,154	\$ 12,921	\$ 26,075	\$ 1,373	\$ 28,641	\$ 981
2015							
Mortgages:							
1-4 Family	\$ 23,060	\$ 11,024	\$ 10,235	\$ 21,259	\$ 1,169	\$ 24,797	\$ 993
Multifamily	—	—	—	—	—	1,544	2
Nonresidential properties	7,264	4,028	2,643	6,671	277	6,595	302
Construction and land	662	637	—	637	—	931	45
Nonmortgage Loans:	891						
Business	—	755	71	826	1	993	44
Consumer	—	—	—	—	—	2	3
Total	\$ 31,877	\$ 16,444	\$ 12,949	\$ 29,393	\$ 1,447	\$ 34,862	\$ 1,389

The Bank's portfolio also includes certain loans that have been modified in a TDR. TDRs occur when a creditor, for economic or legal reasons related to a debtor's financial condition, grants a concession to the debtor that it would not otherwise consider, unless it results in a delay in payment that is insignificant. These concessions could include a reduction of interest rate on the loan, payment and maturity extensions, forbearance, or other actions intended to maximize collections. When the Bank modifies a loan in a TDR, management evaluates for any possible impairment using either the discounted cash flows method, where the value of the modified loan is based on the present value of expected cash flows, discounted at the contractual interest rate of the original loan agreement, or by using the fair value of the collateral less selling costs if repayment under the modified terms becomes doubtful. If management determines that the value of the modified loan in a TDR is less than the recorded investment in the loan, impairment is recognized through a specific allowance estimate or charge-off to the allowance.

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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

An analysis of loans restructured in a TDR for the years ended December 31, 2016 and 2015 is as follows:

	Loans Restructured During 2016		All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Balance of Loans at the Time of Restructure	Number of Loans	Balance of Loans at the Time of Default
Mortgages:				
1-4 Family	—	\$ —	—	\$ —
Multifamily	—	—	—	—
Nonresidential	—	—	—	—
Construction and land	—	—	—	—
Nonmortgage Loans:				
Commercial	—	—	—	—
Consumer	—	—	—	—
Total	—	\$ —	—	\$ —
Extended maturity	—	\$ —	—	\$ —
Interest rate adjustment	—	—	—	—
Combination of rate and maturity	—	—	—	—
Total	—	\$ —	—	\$ —

	Loans Restructured During 2015		All TDRs with a payment default within 12 months following the modification	
	Number of Loans	Balance of Loans at the Time of Restructure	Number of Loans	Balance of Loans at the Time of Default
Mortgages:				
1-4 Family	1	\$ 242	—	\$ —
Multifamily	—	—	—	—
Nonresidential	—	—	—	—
Construction and land	—	—	—	—
Nonmortgage Loans:				
Business	—	—	—	—
Consumer	—	—	—	—
Total	1	\$ 242	—	\$ —
Extended maturity	—	\$ —	—	\$ —
Interest rate adjustment	1	242	—	—
Combination of rate and maturity	—	—	—	—
Total	1	\$ 242	—	\$ —

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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The financial effects of the loans modified in 2016 and 2015 were not material. Loans restructured in a TDR in 2015, resulted in no charge-offs or specific reserves. At December 31, 2016 and 2015, the Bank had 58 and 61 troubled debt restructured loans, included in impaired loans, of \$21,021 and \$24,395, respectively. The Bank has no commitments to lend additional funds to borrowers whose loans have been modified in a troubled debt restructuring. The financial impact from the concessions made by the Bank represents specific impairment reserves on these loans which aggregated \$1,373 and \$1,447 at December 31, 2016 and 2015, respectively.

Note 5. Bank Premises and Equipment

A summary of premises and equipment at December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 3,979	\$ 3,979
Buildings and improvements	15,972	15,966
Leasehold improvements	19,280	20,411
Furniture, fixtures and equipment	3,799	4,484
	<u>43,030</u>	<u>44,840</u>
Less accumulated depreciation and amortization	<u>(17,002)</u>	<u>(17,663)</u>
	<u>\$ 26,028</u>	<u>\$ 27,177</u>

Depreciation and amortization expense amounted to \$1,679 and \$1,817 for the years ended December 31, 2016 and 2015, respectively, and is included in occupancy expense.

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Note 6. Deposits

Deposits at December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Demand	<u>\$ 78,792</u>	<u>\$ 58,622</u>
Interest-bearing deposits:		
NOW/IOLA accounts	25,692	25,687
Money market accounts	42,788	26,169
Savings accounts	<u>127,085</u>	<u>125,143</u>
Total savings, NOW and money market	<u>195,565</u>	<u>176,999</u>
Certificates of deposit of \$250K or more	90,267	68,987
All other certificates of deposit	<u>278,454</u>	<u>294,898</u>
Total certificates of deposit	<u>368,721</u>	<u>363,885</u>
Total interest-bearing deposits	<u>564,286</u>	<u>540,884</u>
Total deposits	<u><u>\$643,078</u></u>	<u><u>\$599,506</u></u>

At December 31, 2016, scheduled maturities of certificates of deposit were as follows:

Year ending December 31,	
2017	\$168,940
2018	69,973
2019	40,690
2020	35,327
2021	<u>53,791</u>
	<u><u>\$368,721</u></u>

Overdrawn deposit accounts that have been reclassified to loans amounted to \$149 and \$239 as of December 31, 2016 and 2015, respectively.

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Note 7. Borrowings

FHLB Advances: The Bank is a member of the Federal Home Loan Bank of New York. At December 31, 2016, the Bank has the ability to borrow from the FHLB based on a certain percentage of the value of the Bank's qualified collateral, as defined in the FHLB Statement of Credit Policy, at the time of the borrowing. In accordance with an agreement with the FHLB, the qualified collateral must be free and clear of liens, pledges and encumbrances.

The Bank had \$3,000 of outstanding advances from the FHLB on an overnight line of credit basis at December 31, 2016. The Bank also had a guarantee from the FHLB through a standby letter of credit of \$3,583 at December 31, 2016.

The floating interest rate on the overnight advances from the FHLB was 0.78% at December 31, 2016. The floating interest rate on the overnight advances from FHLB was 0.56% during 2015. Interest expense on FHLB advances totaled \$8 and \$44 for the years 2016 and 2015, respectively.

As of December 31, 2016, the Bank has eligible collateral of approximately \$164,843 in mortgage loans available to secure advances from the FHLB.

Securities Sold Under Agreement to Repurchase: At December 31, 2016, the Bank had the ability to borrow up to \$25,000 under repurchase agreements with three brokers. The Bank had no securities sold under repurchase agreements with brokers as of December 31, 2016 and 2015. Interest expense on securities sold under repurchase agreements totaled \$0 and \$17 for the years ended December 31, 2016 and 2015, respectively.

Note 8. Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Federal:		
Current	\$ 642	\$ 91
Deferred	387	1,090
	<u>1,029</u>	<u>1,181</u>
State and local:		
Current	237	122
Deferred	(754)	(722)
	<u>(517)</u>	<u>(600)</u>
Changes in valuation allowance	493	734
Provision for income taxes	<u>\$1,005</u>	<u>\$1,315</u>

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Note 8. Income Taxes (Continued)

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 34% for 2016 and 2015 to income before income taxes as a result of the following:

	<u>2016</u>	<u>2015</u>
Income tax, at federal rate	\$ 826	\$1,303
State and local tax, net of federal taxes	(341)	(395)
Valuation allowance, net of the federal benefit	493	734
Other	<u>27</u>	<u>(327)</u>
	<u>\$1,005</u>	<u>\$1,315</u>

Management maintains a valuation allowance against its net 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 .

Management has determined that it is not required to establish a valuation allowance against any other deferred tax assets since it is more likely than not that the deferred tax assets will be fully utilized in future periods. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and the projected future taxable income over the periods that the temporary differences comprising the deferred tax assets will be deductible.

At December 31, 2016 and 2015, the Bank had no unrecognized tax benefits recorded. The Bank does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months. The Bank recognizes interest and penalties on unrecognized tax benefits as a component of income tax expense.

The Company is subject to U.S. federal income tax, New York State income tax, New Jersey income tax, and New York City income tax. The Bank is no longer subject to examination by taxing authorities for years before 2013.

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Note 8. Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2016 and 2015 are presented below:

	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Allowance for losses on loans	\$4,352	\$4,125
Pension obligations	3,134	3,289
Interest on nonaccrual loans	525	645
Unrealized loss on available-for-sale securities	86	191
Amortization of intangible assets	219	191
Deferred rent payable	212	184
Net operating losses	1,340	780
Other	20	72
Total gross deferred tax assets	<u>9,888</u>	<u>9,477</u>
Deferred tax liabilities:		
Cumulative employee contribution in excess of net periodic benefit costs	4,313	4,056
Depreciation and amortization of premises and equipment	426	448
Deferred loan fees	303	233
Other	17	18
Total gross deferred tax liabilities	<u>5,059</u>	<u>4,755</u>
Valuation allowance	<u>1,450</u>	<u>957</u>
Net deferred tax assets	<u>\$3,379</u>	<u>\$3,765</u>

The deferred tax expense (benefit) has been allocated between operations and equity as follows:

	<u>2016</u>	<u>2015</u>
Equity	\$260	\$ 320
Operations	126	1,086
	<u>\$386</u>	<u>\$1,406</u>

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Note 9. Pension Plans

Defined Benefit Plan: Effective January 1, 2007, the Bank replaced its noncontributory defined benefit pension plan (the "Old Pension Plan") with a qualified defined contribution plan (the "401(k) Plan") as noted in more detail below. The Old Pension Plan covered substantially all Bank employees. Employees were eligible to participate after one year of service. Normal retirement age was 65, with an early retirement provided for at age 55. The Old Pension Plan was effectively frozen on May 31, 2007 (the curtailment date) and this resulted in an actuarial reassessment of the Old Pension Plan's future estimated obligations. All participants that are presently vested with the Old Pension Plan will remain in the Old Pension Plan and will receive the full accrued benefit, as defined, upon retirement, in accordance with the plan document.

In May of 2015, the Plan was amended to provide an early retirement window from February 19, 2015 to July 1, 2015, for individuals who met certain criteria with regards to age and years of service. Participants who met the criteria were essentially able to receive their expected retirement benefits three years earlier if they chose to exercise the early retirement option. The amendment also gave participants the option of receiving their vested pension benefits via a lump sum payment upon retirement.

The following table sets forth the Old Pension Plan's funded status and amounts recognized in the Bank's consolidated statements of financial condition as of December 31, 2016 and 2015 using a measurement date as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Projected benefit obligation	<u>\$(14,142)</u>	<u>\$(14,903)</u>
Fair value of plan assets at end of year	<u>15,038</u>	<u>14,553</u>
Funded status at the end of the year	<u>\$ 896</u>	<u>\$ (350)</u>
Accumulated benefit obligation	<u>\$(14,142)</u>	<u>\$(14,903)</u>

Amounts recognized in accumulated other comprehensive loss, which will be amortized into net periodic benefit cost over the coming years, consisted of the following components at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Net loss	<u>\$(9,217)</u>	<u>\$(9,673)</u>

The net periodic benefit cost and amounts recognized in other comprehensive loss are as follows for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Net periodic benefit/(cost)	<u>\$ 79</u>	<u>\$ 64</u>
Net actuarial gain (loss)	<u>(456)</u>	<u>1,583</u>
Total recognized in net periodic benefit cost and other comprehensive loss	<u>\$(377)</u>	<u>\$1,647</u>

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Note 9. Pension Plans (Continued)

Weighted-average assumptions used by the Bank to determine the net benefit obligations consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Discount rate	4.25%	4.25%
Rate of compensation increase	0.00%	0.00%

Weighted-average assumptions used by the Bank to determine the net benefit cost consisted of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Discount rate	4.25%	4.25%
Rate of compensation increase	0.00%	0.00%
Expected long-term rate of return on assets	6.00%	6.00%

The Bank's expected rate of return on plan assets is estimated based on the plan's historical performance of return on assets.

The Bank's investment policy for plan assets is to manage the portfolio to preserve principal and liquidity while maximizing the return on the plan's investment portfolio through the full investment of available funds. Plan assets are currently maintained in a guaranteed deposit account with Prudential Retirement Insurance and Annuity Company, earning interest at rates that are determined at the beginning of each year.

Pension assets consist solely of funds on deposit in a guaranteed deposit account. The fair value of the Bank's pension plan assets at December 31, 2016 and 2015 was \$15,038 and \$14,553, respectively.

The guaranteed deposit account is valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Such fair value measurement is considered a Level 2 measurement.

Employer contributions and benefit payments for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Employer contribution	<u>\$870</u>	<u>\$3,520</u>
Benefits paid	<u>\$853</u>	<u>\$1,383</u>

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Note 9. Pension Plans (Continued)

Employee benefit payments expected to be paid in the future are as follows:

Year ending December 31,	
2017	\$ 854
2018	841
2019	840
2020	818
2021	798
Thereafter	3,841
	<u>\$7,992</u>

The Bank's anticipated employer contribution for the year ended December 31, 2016 is approximately \$870.

401(k) Plan: Following is a summary of the provisions of the 401(k) Plan:

On January 1, 2007, the Bank adopted a qualified defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The 401(k) Plan also qualifies under the Internal Revenue Service safe harbor provisions, as defined. Employees are eligible to participate in the 401(k) Plan after completing one year of service. The 401(k) Plan provides for elective employee/participant deferrals of income. The Bank may elect to provide discretionary matching, profit-sharing, and safe harbor contributions, not to exceed 4% of employee compensation and profit-sharing contributions. Contributions were approximately \$339 and \$295 for the years ended December 31, 2016 and 2015, respectively.

Note 10. Commitments, Contingencies and Credit Risk

Financial Instruments With Off-Balance-Sheet Risk: In the normal course of business, the Bank is party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized on the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The contractual amounts of commitments to extend credit represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer default, and the value of any existing collateral become worthless. The Bank uses the same credit policies in making commitments and contractual obligations as it does for on-balance-sheet instruments. Financial instruments whose contractual amounts represent credit risk at December 31, 2016 and 2015 are as follows:

	2016	2015
Commitments to grant mortgage loans	<u>\$33,813</u>	<u>\$28,386</u>
Unfunded commitments under lines of credit	<u>27,404</u>	<u>22,174</u>
Standby letters of credit	<u>2,487</u>	<u>3,761</u>
	<u>\$63,704</u>	<u>\$54,321</u>

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Note 10. Commitments, Contingencies and Credit Risk (Continued)

Commitments to Grant Mortgage Loans: Commitments to grant mortgage loans are agreements to lend to a customer as long as all terms and conditions are met as established in the contract. Commitments generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate and income-producing commercial properties. The Bank does not anticipate any material losses as a result of these transactions.

Unfunded Commitments Under Lines of Credit: Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extension of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and, ultimately, may not be drawn upon to the total extent to which the Bank is committed.

Standby Letters of Credit: Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies as specified above and is required in instances which the Bank deems necessary.

Concentration by Geographic Location: Loans, commitments to extend credit and standby letters of credit have been granted to customers who are located primarily in New York City. Generally, the Bank's loans are secured by one-to-four family residences. The loans are expected to be repaid from the borrowers' cash flows.

Lease Commitments: At December 31, 2016, the Bank was obligated under noncancelable operating leases for office space and equipment that expire on various dates through 2031. One such lease contains an escalation clause providing for increased rental based primarily on increases in real estate taxes. Net rental expenses under operating leases, included in occupancy expense, totaled \$1,393 and \$1,334 for the years ended December 31, 2016 and 2015, respectively.

The projected minimum rental payments under the terms of the leases at December 31, 2016 are as follows:

Year ending December 31,	
2017	\$ 1,062
2018	990
2019	1,011
2020	1,041
2021	1,072
Thereafter	6,654
	<u>\$11,830</u>

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Ponce De Leon Federal Bank and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended December 31, 2016 and 2015

(In thousands of US dollars unless otherwise stated)

Note 10. Commitments, Contingencies and Credit Risk (Continued)

Legal Matters: The Bank is involved in various legal proceedings which have arisen in the normal course of business. Management believes that resolution of these matters will not have a material effect on the Bank's financial condition or results of operations.

Regulatory Agreement: On July 2013, the Bank entered into a formal written agreement (the "Supervisory Agreement") with the OCC which requires the Bank to take certain actions related to its management and operations, including internal controls. The Bank achieved full compliance with all articles of the formal written agreement. As a result, the OCC terminated its enforcement action with the Bank as of May 25, 2016.

Note 11. Fair Value

The following fair value hierarchy is used based on the lowest level of input significant to the fair value measurement. There are three levels of inputs that may be used to measure fair values:

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

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

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

The Bank used the following methods and significant assumptions to estimate fair value:

Cash and Cash Equivalents, Accrued Interest Receivable, Advance Payments by Borrowers for Taxes and Insurance, Short-Term Borrowings Under Repurchase Agreements and Accrued Interest Payable: The carrying amount is a reasonable estimate of fair value. The Bank did not record these assets and liabilities at fair value on a recurring basis.

Available-for-Sale Securities: These financial instruments are recorded at fair value in the consolidated financial statements on a recurring basis. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted prices are not available, then fair values are estimated by using pricing models (e.g., matrix pricing) or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency bonds and mortgage-backed securities. Level 3 securities are securities for which significant unobservable inputs are utilized. There were no changes in valuation techniques used to measure similar assets during the year.

FHLB Stock: The carrying value of FHLB stock approximates fair value based on the redemption provisions of the Federal Home Loan Bank.

Ponce De Leon Federal Bank and Subsidiaries

**Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)**

Note 11. Fair Value (Continued)

Loans: For variable rate loans, which reprice frequently and have no significant change in credit risk, carrying values are a reasonable estimate of fair values, adjusted for credit losses inherent in the portfolios. The fair value of fixed rate loans is estimated by discounting the future cash flows using estimated year-end market rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for credit losses inherent in the portfolios. Impaired loans are valued using a present value discounted cash flow method, or the fair value of the collateral. The Bank does not record loans at fair value on a recurring basis.

Loans Held for Sale: Loans held for sale are carried at the lower of cost or fair value. The fair value of loans held for sale is determined from actual bids from bona fide investors. The Bank classifies these assets as Level 2.

Other Real Estate Owned: Other real estate owned represents real estate acquired through foreclosure, and is recorded at fair value less estimated disposal costs on a nonrecurring basis. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Bank classifies the asset as Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank classifies the asset as Level 3.

Deposits: The fair values of demand deposits, savings, NOW and money market accounts equal their carrying amounts, which represent the amounts payable on demand at the reporting date. Fair values for fixed-term, fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on certificates of deposit to a schedule of aggregated expected monthly maturities on such deposits. The Bank does not record deposits at fair value on a recurring basis.

Advances From the Federal Home Loan Bank: The fair value of the advances is estimated using a discounted cash flow calculation that applies current market-based FHLB interest rates for advances of similar maturity to a schedule of maturities of such advances. The Bank does not record these borrowings at fair value on a recurring basis.

Off-Balance-Sheet Instruments: Fair values for the Bank's off-balance-sheet instruments (lending commitments and standby letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The Bank does not record its off-balance-sheet instruments at fair value on a recurring basis.

[Table of Contents](#)**Ponce De Leon Federal Bank and Subsidiaries****Notes to Consolidated Financial Statements****Years Ended December 31, 2016 and 2015****(In thousands of US dollars unless otherwise stated)**

Note 11. Fair Value (Continued)

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of December 31, 2016 and 2015, and indicate the level within the fair value hierarchy utilized by the Bank to determine the fair value:

Description	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Available-for-Sale Securities:				
U.S. government and federal agencies	\$41,559	\$ —	\$41,559	\$ —
Certificate of Deposits	500		500	
Mortgage-Backed Securities:				
FHLMC Certificates	216	—	216	—
FNMA Certificates	3,606	—	3,606	—
GNMA Certificates	6,809	—	6,809	—
	<u>\$52,690</u>	<u>\$ —</u>	<u>\$52,690</u>	<u>\$ —</u>
Description	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Available-for-Sale Securities:				
U.S. government and federal agencies	\$71,166	\$ —	\$71,166	\$ —
Mortgage-Backed Securities:				
FHLMC Certificates	222	—	222	—
FNMA Certificates	4,432	—	4,432	—
GNMA Certificates	6,214	—	6,214	—
	<u>\$82,034</u>	<u>\$ —</u>	<u>\$82,034</u>	<u>\$ —</u>

[Table of Contents](#)**Ponce De Leon Federal Bank and Subsidiaries****Notes to Consolidated Financial Statements**
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)

Note 11. Fair Value (Continued)

The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of December 31, 2016 and 2015 and indicate the fair value hierarchy utilized by the Bank to determine the fair value:

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Impaired loans	<u>\$26,075</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$26,075</u>
Loans held for sale	<u>\$ 2,143</u>	<u>\$ —</u>	<u>\$2,143</u>	<u>\$ —</u>
Other real estate owned	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Impaired loans	<u>\$29,393</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$29,393</u>
Loans held for sale	<u>\$ 3,303</u>	<u>\$ —</u>	<u>\$3,303</u>	<u>\$ —</u>
Other real estate owned	<u>\$ 76</u>	<u>\$ —</u>	<u>\$ 76</u>	<u>\$ —</u>

Losses on assets carried at fair value on a nonrecurring basis were immaterial for the year ended December 31, 2016 and 2015.

The Bank discloses fair value information about financial instruments, whether or not recognized in the consolidated statements of financial condition, for which it is practicable to estimate that value. Certain financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank.

The estimated fair value amounts for 2016 and 2015 have been measured as of their respective year-ends and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than amounts reported at each year-end.

The information presented should not be interpreted as an estimate of the fair value of the entire Bank since a fair value calculation is only required for a limited portion of the Bank's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Bank's disclosures and those of other banks may not be meaningful.

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Note 11. Fair Value (Continued)

As of December 31, 2016 and 2015, the recorded book balances and estimated fair values of the Bank's financial instruments were as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 11,716	\$ 11,716	\$ 12,694	\$ 12,694
Investment securities	52,690	52,690	82,034	82,034
Loans held for sale	2,143	2,143	3,303	3,303
Loans receivable, net	642,148	660,706	567,662	586,735
Accrued interest receivable	2,707	2,707	2,668	2,668
FHLB stock	964	964	1,162	1,162
Financial liabilities:				
Deposits:				
Demand deposits	78,792	78,792	58,622	58,622
Interest-bearing deposits	195,565	195,565	176,999	176,999
Certificates of deposit	368,721	368,721	363,885	369,416
Advance payments by borrowers for taxes and insurance	3,882	3,882	2,600	2,600
Advances from FHLB	3,000	3,000	8,000	8,000
Accrued interest payable	28	28	36	36

Off-Balance-Sheet Instruments: Loan commitments on which the committed interest rate is less than the current market rate are insignificant at December 31, 2016 and 2015.

Note 12. Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the OCC. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's operations and financial statements. Under the regulatory 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.

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Note 12. Regulatory Capital Requirements (Continued)

Quantitative measures established by regulation require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total risk-based and Tier 1 capital to risk-weighted assets (as defined in the regulations), Tier 1 capital to adjusted total assets (as defined) and tangible capital to adjusted total assets (as defined). Management believes that, as of December 31, 2016, the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2016, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table below. There were no conditions or events since then that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2016 and 2015 as compared to regulatory requirements are as follows (dollars in thousands):

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
December 31, 2016:						
Total Capital to Risk-Weighted Assets	\$106,190	19.21%	\$ 44,217	8.00%	\$55,271	10.00%
Tier 1 Capital to Risk-Weighted Assets	99,240	17.96%	33,163	6.00%	44,217	8.00%
Common Equity Tier 1 Capital Ratio	99,240	17.96%	24,872	4.50%	35,926	6.50%
Tier 1 Capital to Total Assets	99,240	13.32%	29,805	4.00%	37,256	5.00%
December 31, 2015:						
Total Capital to Risk-Weighted Assets	\$104,085	20.72%	\$ 40,197	8.00%	\$50,246	10.00%
Tier 1 Capital to Risk-Weighted Assets	97,764	19.46%	30,148	6.00%	40,197	8.00%
Common Equity Tier 1 Capital Ratio	97,764	19.46%	22,611	4.50%	32,660	6.50%
Tier 1 Capital to Total Assets	97,764	13.67%	28,604	4.00%	35,755	5.00%

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Note 13. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive losses are as follows:

	<u>2016</u>		
	<u>December 31, 2015</u>	<u>Current Year Change</u>	<u>December 31, 2016</u>
Unrealized gains (losses) on securities available for sale, net	\$ (370)	\$ 204	\$ (166)
Unrealized gains (losses) on pension benefits, net	(6,385)	301	(6,084)
Total	\$ (6,755)	\$ 505	\$ (6,250)

	<u>2015</u>		
	<u>December 31, 2014</u>	<u>Current Year Change</u>	<u>December 31, 2015</u>
Unrealized gains (losses) on securities available for sale, net	\$ (845)	\$ 475	\$ (370)
Unrealized gains (losses) on pension benefits, net	(4,854)	(1,531)	(6,385)
Total	\$ (5,699)	\$ (1,056)	\$ (6,755)

Note 14. Transactions With Related Parties

Directors and officers of the Bank and their affiliates have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Aggregate loan transactions with related parties for the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$1,728	\$ 398
Originations	—	1,494
Payments	(155)	(164)
Ending balance	\$1,573	\$1,728

The Bank held deposits in the amount of \$6,856 and \$5,702 from officers and directors at December 31, 2016 and 2015, respectively.

Part II
Information not required in prospectus

Item 13. Other expenses of issuance and distribution

The following table sets forth the estimated costs and expenses payable by the registrant in connection with the registration of securities being registered under this Registration Statement. All amounts except the SEC registration fee are estimates.

	Amount (1)
Registrant's Legal Fees and Expenses	\$1,000,000
Registrant's Accounting Fees and Expenses	170,000
Marketing Agent Fees and Expenses (1)	880,081
Records Agent Fees and Expenses (1)	25,000
Appraisal Fees and Expenses	107,500
Printing, Postage, Mailing and EDGAR fees	375,000
Filing Fees (Nasdaq, FINRA and SEC)	149,213
Transfer Agent Fees and Expenses	20,000
Business Plan Fees and Expenses	40,000
Other	80,000
Total	<u>\$2,846,794</u>

- (1) PDL Community Bancorp has retained Raymond James & Associates, Inc. to assist in the sale of common stock on a best efforts basis in the subscription, community and syndicated offerings. Fees are estimated at the adjusted maximum of the offering range, assuming all of the shares are sold in the subscription and community offerings.

Item 14. Indemnification of directors and officers

Article XII of the Bylaws of PDL Community Bancorp sets forth indemnification provisions under which directors, officers and employees of PDL Community Bancorp shall be indemnified against liability which they incur in their capacities as such:

Article XII - Indemnification

The Company shall indemnify its personnel, including directors, officers and employees, to the fullest extent authorized by applicable law and regulations, as the same exists or may hereafter be amended; provided, any indemnification by the Company of the Company's personnel is subject to any applicable rules or regulations of the FRB.

Item 15. Recent sales of unregistered securities

Not applicable.

Item 16. Exhibits and financial statement schedules

(a) *Exhibits.* The exhibits and financial statement schedules filed as part of this registration statement are as follows:

- 1.1 Engagement Letter, dated as of December 2, 2016, between Ponce De Leon Federal Bank and Raymond James & Associates, Inc.
- 1.2 Form of Agency Agreement between Ponce De Leon Federal Bank and Raymond James & Associates, Inc. *
- 2.1 Amendment No. 1 to the Plan of Reorganization from Mutual Bank to a Mutual Holding Company and Stock Issuance Plan
- 3.1 Charter of PDL Community Bancorp
- 3.2 ByLaws of PDL Community Bancorp
- 4.1 Form of Common Stock Certificate of PDL Community Bancorp
- 5.1 Opinion of Locke Lord LLP regarding legality of securities being registered
- 8.1 Federal Tax Opinion of *
- 8.2 State Tax Opinion of Crowe Horwath LLP *
- 10.1 Ponce Bank Employee Stock Ownership Plan #
- 10.2 Ponce Bank ESOP Equalization Plan #
- 10.3 Ponce De Leon Federal Bank Deferred Compensation Plan #
- 10.4 Employment Agreement, dated as of March 23, 2017, by and between Ponce De Leon Federal Bank and Carlos P. Naudon #
- 10.5 Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Carlos P. Naudon #
- 10.6 Employment Agreement, dated March 23, 2017, by and between Ponce De Leon Federal Bank and Steven Tsavaris #

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10.7	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Steven Tsavaris #
10.8	Employment Agreement, dated March 31, 2017, by and between Ponce De Leon Federal Bank and Frank Perez #
10.9	Form of Employment Agreement to be entered into by and among Ponce Bank Mutual Holding Company, PDL Community Bancorp and Frank Perez #
21.1	Subsidiaries of the Registrant
23.1	Consent of Locke Lord LLP (contained in Opinion included as Exhibit 5.1)
23.2	Consent of RP Financial, LC.
23.3	Consent of Mazars USA, LLP
23.4	Consent of Crowe Horwath LLP (contained in Opinion included as Exhibit 8.2)
24.1	Power of Attorney (set forth on signature page)
99.1	Appraisal Agreement between Ponce De Leon Federal Bank and RP Financial, LC.
99.2	Letter of RP Financial, LC. with respect to Subscription Rights
99.3	Appraisal Report of RP Financial, LC.
99.4	Marketing Materials *
99.5	Stock Order and Certification Form *

Management contract or compensation plan or arrangement.

* To be filed by amendment.

(b) *Financial Statement Schedule*. No financial statement schedules are filed because the required information is not applicable or is included in the consolidated financial statements or related notes.

Item 17. Undertakings

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§230.424 of this chapter);

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

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(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(5) That, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(6) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(8) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Exhibit Index

<u>Exhibit number</u>	<u>Description of exhibit</u>
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1.2	Form of Agency Agreement between Ponce De Leon Federal Bank and Raymond James & Associates, Inc. *
2.1	Amendment No. 1 to the Plan of Reorganization from Mutual Bank to a Mutual Holding Company and Stock Issuance Plan
3.1	Charter of PDL Community Bancorp
3.2	ByLaws of PDL Community Bancorp
4.1	Form of Common Stock Certificate of PDL Community Bancorp
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99.3	Appraisal Report of RP Financial, LC.
99.4	Marketing Materials *
99.5	Stock Order and Certification Form *

Management contract or compensation plan or arrangement.

* To be filed by amendment

RAYMOND JAMES®**CONFIDENTIAL**

December 2, 2016

Ponce de Leon Federal Bank
2244 Westchester Street
Bronx, NY 10462
Attention: Carlos P. Naudon, President

Gentlemen:

It is our understanding that Ponce de Leon Federal Bank (the "Bank"), on behalf of both itself and the Company (as defined herein), desires to retain the services of Raymond James & Associates, Inc. ("Raymond James") to act as financial advisor, marketing agent, and records agent to the Company in connection with the Bank's proposed reorganization into the mutual holding company form of organization (the "Reorganization"). It is further understood that the Reorganization will include the formation of a Mutual Holding Company (the "MHC") as well as a mid-tier stock holding company (the "Holding Company" and together with the MHC and the Bank, the "Company") and the associated sale of common stock of the Holding Company as further described below.

Pursuant to a Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan (the "Plan"), the Holding Company will offer and sell shares of its common stock to the Bank's account holders in a subscription offering (the "Subscription Offering") and, at the discretion of the Company, to members of the community or communities surrounding the Bank's branches (a "Direct Community Offering"), and, at the discretion of the Company, to the general public (a "Syndicated Community Offering", and with a Subscription Offering and Direct Community Offering, collectively or individually, the "Offerings").

This letter agreement (the "Agreement") is intended to serve as our agreement to provide the services outlined herein, to the extent requested by the Company.

1. Financial Advisory and Marketing Agent Services - As the Company's financial advisor and marketing agent, Raymond James will provide financial and logistical advice to the Company and will assist the Company's management, legal counsel, accountants and other advisors in connection with the Reorganization and related matters. We anticipate our services will include the following, each as may be necessary and as the Company may reasonably request:
 - (a) Assist the Company in assessing the financial and securities market implications of the Plan;
 - (b) Assist the Company in structuring and in communicating the terms of the Plan and the Offerings;
 - (c) Assist the Company in the preparation of documents related to the execution of the Plan, including the prospectus, stock order and certification form and all marketing materials (it being understood that the preparation and filing of any and all such documents will be the responsibility of the Company and its counsel);
 - (d) Assist the Company in analyzing proposals from outside vendors in connection with execution of the Plan, as needed;
 - (e) Assist the Company in scheduling and preparing for meetings with potential investors and/or other broker-dealers related to the Offerings, as necessary;
 - (f) Establish a Stock Information Center at Raymond James's office in Chicago, Illinois, which shall provide a toll-free hotline to assist with investor inquiries;

880 Carillon Parkway // St. Petersburg, FL 33716

T 727.567.1000 // raymondjames.com

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- (g) Provide a Raymond James representative for on-site assistance at the Company's Administrative Offices, or, at Company's reasonable request, on-site assistance at other than Company's Administrative Offices, which assistance may be in lieu thereof, as needed during the offering period to answer customer questions regarding the Reorganization, meet with interested investors, etc.;
 - (h) Assist in the training of Company personnel for interaction with customers during the offering period; and
 - (i) Such other financial advisory and investment banking services in connection with the Offerings as may be agreed upon by Raymond James and the Company.
2. Records Agent Services - As Records Agent, Raymond James will provide the following services, as the Company may reasonably request.
- a. Customer File Processing
 - processing of the Bank's customer account records for each record date required by the Plan;
 - consolidation of eligible customer accounts by ownership and creation of a central file for determination of subscription and voting rights;
 - reporting of Company customers by state (support for any required Blue Sky filings);
 - identification of subscription priorities;
 - calculation of member votes; and
 - household sorting of customer records and coordination with the Company's financial printer for all required subscriber and member mailings.
 - b. Stock Order Processing
 - processing of stock order forms received at the Stock Information Center;
 - daily and ad-hoc status reporting to Company management;
 - mailing of order acknowledgment letters to subscribers;
 - allocation of shares to qualifying subscribers if the offering is oversubscribed;
 - production of charter shareholder list and other final subscription reports (account withdrawals, all orders received, etc.);
 - coordination with the Company's transfer agent for stock issuance; and
 - perform interest and refund calculations and provide necessary files to enable the Company or its transfer agent to generate required interest/refund checks and 1099-INT reporting.
 - c. Member Proxy Vote Processing
 - tabulation and reporting of member proxy votes received;
 - proxy target group identification and reporting to assist with solicitation efforts;
 - proxy reminder mailings as needed;
 - assist the Company with telephone solicitation efforts if requested;
 - adjustment of member votes as required for accounts closed prior to the special meeting; and
 - act as or support the Inspector of Election for the Special Meeting of Members, if requested and the election is not contested.
3. Due Diligence Review - The Company acknowledges and agrees that Raymond James's obligation to perform the services contemplated by this Agreement shall be subject to the satisfactory completion of such investigations and inquiries relating to the Company, and its directors, officers, agents and employees, as Raymond James and their counsel in their sole discretion may deem appropriate under the circumstances (the "Due Diligence Review"). The Company agrees it will make available to Raymond James all information, whether or not publicly available, which

Raymond James reasonably requests (the "Information"), and will permit Raymond James to discuss with the board of directors and management the operations and prospects of the Company. Raymond James will treat all Confidential Information (as defined herein) as confidential in accordance with the provisions of Section 9 hereof. The Company recognizes and confirms that Raymond James (a) will use and rely on and assume the accuracy and completeness of the Information in performing the services contemplated by this Agreement without having independently verified or analyzed the accuracy or completeness of same, and (b) does not assume responsibility or liability for the accuracy or completeness of the Information or to conduct any independent verification or any appraisal or physical inspection of properties or assets. The Company acknowledges and agrees that Raymond James will rely upon Company management as to the reasonableness and achievability of any financial and operating forecasts and projections provided to Raymond James, and that Raymond James will assume, at the Company's direction, that all financial forecasts and projections have been reasonably prepared by Company management on a basis reflecting the best then currently available estimates and judgments of management as to the expected future financial performance of the Company, and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated by such management.

4. Regulatory Filings - The Company will cause appropriate offering documents to be filed with all regulatory agencies including the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA"), and the appropriate federal and/or state bank regulatory agencies. In addition, the Company and Raymond James agree that the Company's counsel shall serve as counsel with respect to blue sky matters in connection with the Offerings, and that the Company shall cause such counsel to prepare a Blue Sky Memorandum related to the Offerings including Raymond James's participation therein and shall furnish Raymond James a copy thereof addressed to Raymond James or upon which counsel shall state Raymond James may rely.
5. Fees - For the services hereunder, the Company shall pay the following fees to Raymond James at closing unless stated otherwise:
 - (a) Management Fee: A Management Fee of \$50,000, payable as follows: (a) \$25,000 payable upon execution of this Agreement; and (b) \$25,000 upon filing of the Company's initial registration statement. Such fees shall be deemed to have been earned when due. Should the Offerings or this Agreement be terminated for any reason Raymond James shall have earned and be entitled to be paid fees accruing through the stage at which point the termination occurred.
 - (b) Success Fee: A Success Fee of one percent (1.00%) of the aggregate dollar amount of Common Stock sold in the Subscription and Direct Community Offerings. Such fees shall be due at the closing of the Offerings. No fee shall be payable for any shares sold to the officers, directors, employees or the immediate family of such persons ("Insiders"), and qualified and non-qualified employee benefit plans or issued to any charitable foundation established by the Company in connection with the Reorganization. "Immediate family" includes the spouse, parents, siblings and children who live in the same house as the officer, director or employee. The Management Fee described in Section 5(a), to the extent then already paid, will be credited against the Success Fee. The obligation to pay to Raymond James the full Success Fee upon completion of the Offerings shall survive any termination of this Agreement, including any termination occurring prior to the completion of such Offerings.
 - (c) Syndicated Community Offering: In the event the Company elects to pursue a Syndicated Community Offering, the Company shall pay to Raymond James, in addition to (and not in

lieu of) the Success Fee, a commission not to exceed 6.0% of the aggregate purchase price of the shares sold in the Syndicated Community Offering. Raymond James as sole book running manager may seek to form a syndicate of registered dealers to assist in the sale of such common stock on a best efforts basis, subject to the terms and conditions set forth in a selected dealers' agreement to be entered into between the Company and Raymond James. Raymond James will endeavor to distribute the common stock among dealers, if any, in a fashion that best meets the distribution objectives of the Company and the requirements of the Plan, which may result in limiting the allocation of stock to certain selected dealers. It is understood that in no event shall Raymond James be obligated to take or purchase any shares of the common stock in the Offering

- (d) Records Agent Fee: For the Records Agent services outlined above, the Company agrees to pay Raymond James a fee of \$25,000. All fees under this Agreement shall be payable as follows: (a) \$5,000 payable upon execution of this Agreement, which shall be non-refundable; and (b) the balance upon the mailing of subscription documents.

The payment of compensation by the Company to Raymond James pursuant to this Section 5 is subject to FINRA's review of such compensation, if such review is required under applicable FINRA rules and regulations.

6. Expenses - The Company will bear all expenses of the proposed Offerings customarily borne by issuers, including, without limitation, regulatory filing fees, SEC, "Blue Sky," and FINRA filing and registration fees; the fees of the Company's accountants, attorneys, appraiser, business plan consultant, transfer agent and registrar, printing, mailing and marketing and Syndicated Community Offering expenses associated with the Offerings; the fees set forth in Section 5; and fees for "Blue Sky" legal work. If Raymond James incurs expenses on behalf of the Company, the Company will reimburse Raymond James for such expenses.

Raymond James will also be reimbursed for its reasonable out-of-pocket expenses, not to exceed \$50,000 (subject to the provisions of this paragraph), related to the Offerings, including, but not limited to, costs of travel, meals and lodging, photocopying, telephone, facsimile, and couriers. Raymond James will also be reimbursed for fees and expenses of its counsel not to exceed \$100,000 (subject to the provisions of this paragraph). These expense caps assume no unusual circumstances or delays, and no re-solicitation in connection with the Offerings. The Company acknowledges and agrees that, in the event unusual circumstances arise or a delay or resolicitation occurs (including but not limited a delay in the Offerings which would require an update of the financial information in tabular form to reflect a period later than that set forth in the original filing of the offering documents), such expense caps may be increased by additional amounts, not to exceed an additional \$10,000 in the case of additional out-of-pocket expenses of Raymond James and an additional \$25,000 in the case of additional fees and expenses of Raymond James's legal counsel. In addition, the Company will bear all costs related to the operating of the Stock Information Center including hiring temporary personnel, if necessary. The provisions of this paragraph are not intended to apply to or in any way impair or limit the indemnification or contribution provisions contained herein.

7. Limitations - The Company acknowledges that all opinions and advice (written or oral) given by Raymond James to the Company in connection with Raymond James's engagement are intended solely for the benefit and use of the Company for the purposes of its evaluation of the proposed Offerings. Unless otherwise expressly stated in an opinion letter issued by Raymond James or otherwise expressly agreed, no one other than the Company is authorized to rely upon this engagement of Raymond James or any statements or conduct by Raymond James. The Company

agrees that no such opinion or advice shall be used, reproduced, disseminated, quoted or referred to at any time, in any manner, or for any purpose, nor shall any public references to Raymond James be made by the Company or any of its representatives without the prior written consent of Raymond James.

The Company acknowledges and agrees that Raymond James has been retained to act solely as financial advisor to the Company and not as an advisor to or agent of any other person, and the Company's engagement of Raymond James is not intended to confer rights upon any person not a party to this Agreement (including shareholders, employees or creditors of the Company) as against Raymond James or its affiliates, or their respective directors, officers, employees or agents. In such capacity, Raymond James shall act as an independent contractor, and any duties arising out of its engagement shall be owed solely to the Company. It is understood that Raymond James's responsibility to the Company is solely contractual in nature and Raymond James does not owe the Company, or any other party, any fiduciary duty as a result of this Agreement.

The Company acknowledges and agrees that Raymond James, as Records Agent hereunder, (a) shall have no duties or obligations other than the contractual obligations to the Company specifically set forth herein; (b) will be regarded as making no representations and having no responsibilities as to the validity, sufficiency, value or genuineness of any order form or any stock certificates or the shares represented thereby, and will not be required to and will make no representations as to the validity, value or genuineness of the offer; (c) shall not be obliged to take any legal action hereunder which might in its judgment involve any expense or liability, unless it shall have been furnished with an indemnity satisfactory to it; and (d) may rely on and shall be protected in acting in reliance upon any certificate, instrument, opinion, notice, letter, telex, telegram, or other document or security delivered to it and in good faith believed by it to be genuine and to have been signed by the proper party or parties.

The Company also agrees neither Raymond James, nor any of its affiliates nor any officer, director, employee or agent of Raymond James or any of its affiliates, nor any person controlling Raymond James or any of its affiliates, shall be liable to any person or entity, including the Company and any purchaser or potential purchaser of Common Stock in the Offerings, by reason of any error of judgment, or for any act done by it in good faith, or for any mistake of law or fact in connection with this Agreement and the performance hereof, unless caused by or arising primarily out of Raymond James's bad faith, willful misconduct or gross negligence. The foregoing agreement shall be in addition to any rights that Raymond James, the Company or any Indemnified Party (as defined herein) may have at common law or otherwise, including, but not limited to, any right to contribution.

Anything in this Agreement to the contrary notwithstanding, in no event shall Raymond James be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if Raymond James has been advised of the likelihood of such loss or damage and regardless of the form of action.

8. Benefit - This Agreement shall inure to the benefit of the parties hereto and their respective successors, and the obligations and liabilities assumed hereunder by the parties hereto shall be binding upon their respective successors; provided, however, that this Agreement shall not be assignable without the mutual consent of Raymond James and the Company.
9. Confidentiality - Raymond James acknowledges that a portion of the Information provided to it in connection with its engagement hereunder may contain confidential and proprietary business

information concerning the Company (such Information, the "Confidential Information"). Raymond James agrees that, except as contemplated in connection with the performance of its services under this Agreement, as authorized by the Company or as required by law, regulation or legal process, it will treat as confidential all Confidential Information; provided, however, that Raymond James may disclose such Confidential Information to its agents and advisors who are assisting or advising Raymond James in performing its services hereunder and who have been instructed to be bound by the terms and conditions of this paragraph. As used herein, the term "Confidential Information" shall not include information which (a) is or becomes generally available to the public other than as a result of a disclosure by Raymond James in violation of this Agreement, (b) was available to Raymond James on a non-confidential basis prior to its disclosure to Raymond James or its representatives by the Company, or (c) becomes available to Raymond James on a non-confidential basis from a person other than the Company who is not known to Raymond James to be bound not to disclose such information pursuant to a contractual obligation of confidentiality to the Company. The Company hereby acknowledges and agrees that the presentation materials and financial models used by Raymond James in performing its services hereunder have been developed by and are proprietary to Raymond James. The Company agrees that it will not reproduce or distribute all or any portion of such models or presentations without the prior consent from Raymond James in writing.

10. Indemnification - As Raymond James will be acting on behalf of the Company in connection with the Offerings, the Company agrees to indemnify and hold harmless Raymond James and its affiliates, the respective partners, directors, officers, employees and agents of Raymond James and its affiliates and each other person, if any, controlling Raymond James or any of its affiliates and each of their successors and assigns (Raymond James and each such person being an "Indemnified Party") to the fullest extent permitted by law, from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under applicable federal or state law, or otherwise related to or arising out of the Offerings or the engagement of Raymond James pursuant to, or the performance by Raymond James of the services contemplated by, this letter, and will reimburse any Indemnified Party for all expenses (including legal fees and expenses) as they are incurred, including expenses incurred in connection with the investigation, preparing for or defending any such action or claim whether or not in connection with pending or threatened litigation, or any action or proceeding arising therefrom, whether or not Raymond James is a party; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, liability or expense (a) arises out of or is based upon any untrue statement of a material fact or the omission of a material fact required to be stated therein or necessary to make not misleading any statements contained in any final prospectus, or any amendment or supplement thereto, made in reliance on and in conformity with written information furnished to the Company by Raymond James expressly for use therein or (b) to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted primarily from Raymond James's gross negligence, willful misconduct or bad faith of Raymond James.

If the indemnification provided for in the foregoing paragraph is judicially determined to be unavailable (other than in accordance with the terms hereof) to any person otherwise entitled to indemnity in respect of any losses, claims, damages or liabilities referred to herein, then, in lieu of indemnifying such person hereunder, the Company shall contribute to the amount paid or payable by such person as a result of such losses, claims, damages or liabilities (and expenses relating thereto) (i) in such proportion as is appropriate to reflect the relative benefits to the Company, on the one hand, and Raymond James, on the other hand, of the engagement provided for in this Agreement or (ii) if the allocation provided for in clause (i) above is not available, in such proportion as is

appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of each of the Company and Raymond James, as well as any other relevant equitable considerations; provided, however, in no event shall Raymond James's aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received by Raymond James under this Agreement. For the purposes of this Agreement, the relative benefits to the Company and to Raymond James of the engagement under this Agreement shall be deemed to be in the same proportion as (a) the total value paid or contemplated to be paid or received or contemplated to be received by the Company in the Reorganization and the Offerings that are the subject of the engagement hereunder, whether or not consummated, bears to (b) the fees paid or to be paid to Raymond James under this Agreement.

The Company also agrees that neither Raymond James, nor any of its affiliates nor any officer, director, employee or agent of Raymond James or any of its affiliates, nor any person controlling Raymond James or any of its affiliates, shall have any liability to the Company for or in connection with such engagement except for any such liability for losses, claims, damages, liabilities or expenses incurred by the Company which are finally judicially determined to have resulted primarily from Raymond James's bad faith, willful misconduct or gross negligence. The foregoing agreement shall be in addition to any rights that Raymond James, the Company or any Indemnified Party may have at common law or otherwise, including, but not limited to, any right to contribution. For the sole purpose of enforcing and otherwise giving effect to the indemnification and contribution provisions of this Agreement, the Company hereby consents to personal jurisdiction and service and venue in any court in which any claim which is subject to this Agreement is brought against Raymond James or any other Indemnified Party.

The Company agrees that it will not, without the prior written consent of Raymond James, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not Raymond James is an actual or potential party to such claim, action, suit, or proceeding) unless such settlement, compromise or consent includes an unconditional release of Raymond James from all liability arising out of such claim, action, suit or proceeding.

11. Definitive Agreement - This Agreement reflects Raymond James's present intention of proceeding to work with the Company on its proposed Offerings. No legal and binding obligation is created on the part of the Company or Raymond James with respect to the subject matter hereof, except as to (i) the agreement to maintain the confidentiality of Confidential Information set forth in Section 9, (ii) the payment of certain fees as set forth in Section 5, (iii) the payment of fees and expenses as set forth in Section 6, (iv) the limitations set forth in Section 7, (v) the indemnification and contribution and other provisions set forth in Section 10 and (iv) those terms set forth in a mutually agreed upon Agency Agreement between Raymond James and the Company to be executed prior to commencement of the Offerings, all of which, notwithstanding anything to the contrary that may be contained herein, shall constitute the binding obligations of the parties hereto and which shall survive the termination of this Agreement or the completion of the services furnished hereunder and shall remain operative and in full force and effect.

Raymond James's execution of such Agency Agreement shall also be subject to (a) Raymond James's satisfaction with its Due Diligence Review, (b) preparation of offering materials that are satisfactory to Raymond James, (c) compliance with all relevant legal and regulatory requirements to the reasonable satisfaction of Raymond James and its counsel, (d) agreement that the price established by the independent appraiser is reasonable, and (e) market conditions at the time of the proposed Offerings.

12. Notices – The following addresses shall be sufficient for written notices to each other:

If to the Bank: Ponce de Leon Federal Bank
2244 Westchester Street
Bronx, NY 10462
Attention: Carlos P. Naudon, President

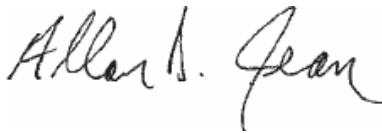
If to Raymond James: Raymond James & Associates, Inc.
880 Carillon Parkway
St. Petersburg, FL 33716
Attention: John Critchlow, Managing Director-Legal, Equity Capital Markets

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and can be altered only by written consent signed by the parties. This Agreement shall be construed and enforced in accordance with the laws of the State of New York, without regard to the conflicts of laws principles thereof. **Any right to trial by jury with respect to any claim or action arising out of this Agreement or conduct in connection with the engagement is hereby waived by the parties hereto.**

If the foregoing correctly sets forth our mutual understanding, please so indicate by signing and returning this Agreement to the undersigned.

Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.



By: _____
Allan D. Jean
Director of Mutual Conversions

PONCE DE LEON FEDERAL BANK



By: _____
Carlos P. Naudon
President

PONCE De LEON FEDERAL BANK
AMENDMENT NO. 1 TO THE
PLAN OF REORGANIZATION
FROM A MUTUAL BANK
TO A MUTUAL HOLDING COMPANY
AND STOCK ISSUANCE PLAN

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Exhibits

- Exhibit A Charter and Bylaws of the Bank
- Exhibit B Charter and Bylaws of the Holding Company
- Exhibit C Charter and Bylaws of the MHC

1. **Introduction.**

This Amendment No. 1 to the Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan, dated as of April 7, 2017 (the "Plan"), provides for the reorganization of Ponce De Leon Federal Bank (the "Bank") from a federally-chartered mutual bank into a mutual holding company structure (the "Reorganization") under the laws of the United States of America and the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and other applicable requirements. The mutual holding company (the "MHC") will be a mutually-owned federal corporation, and all of the current ownership and voting rights of the Members of the Bank will be transferred to the MHC. As part of the Reorganization, the Bank will amend its charter to become the MHC, and the Holding Company and the Stock Bank will be established as federal corporations and majority owned subsidiaries so long as the MHC remains in existence. Concurrently with the Reorganization, the Holding Company intends to offer for sale up to 49.9% of its Common Stock in the Stock Offering. The Common Stock will be offered on a priority basis to depositors and the Tax-Qualified Employee Plans of the Bank, with any remaining shares offered to the public in a Community Offering, a Syndicated Community Offering, or a Firm Commitment Underwritten Offering, or a combination thereof. The Reorganization, Stock Offering and issuance of Common Stock shall be conducted in accordance with the Federal Reserve's Regulation MM, 12 CFR Part 239, and other applicable regulatory requirements.

The primary purpose of the Reorganization is to establish a holding company and to convert the Bank to the stock form of ownership, which will enable the Bank to compete and expand more effectively in the financial services marketplace. The Reorganization will permit the Holding Company to issue Capital Stock, which is a source of capital not available to mutual banks. Since the Holding Company will not offer all of its Common Stock for sale to depositors and the public in the Stock Offering, the Reorganization will result in less capital raised in comparison to a standard mutual-to-stock conversion. The Reorganization, however, will also permit the Bank to raise additional capital since a majority of the Holding Company's common stock could be made available for sale in the future. The Bank has no present intention to pursue a majority sale. It will also facilitate the funding of a charitable foundation to support the Bank's community. It will also provide the Bank with greater flexibility to structure and finance the expansion of its operations, including the potential acquisition of other financial institutions. The expansion of the Bank's operations will produce certain economies of scale which will enable it to meet increasing compliance and technology costs. Lastly, the Reorganization will enable the Bank to better manage its capital by (i) providing broader acquisition and investment opportunities through the holding company structure, (ii) enabling the Bank to distribute capital to stockholders of the Holding Company in the form of dividends, and (iii) enabling the Holding Company to repurchase its common stock as market conditions warrant. Although the Reorganization and Stock Offering will create a stock savings bank and stock holding company, only a minority of the Common Stock will be offered for sale in the Stock Offering. As a result, the Bank's mutual form of ownership and its ability to remain an independent community bank will be preserved through the mutual holding company structure. The Reorganization is subject to the receipt of all necessary regulatory approvals, including the approval of the Federal Reserve, and must be approved by the affirmative vote of a majority of the total votes eligible to be cast by Members.

In the event the Board of Directors of the Bank determines not to establish the Holding Company as part of the Reorganization, then all references in this Plan to the issuance of Common Stock by the Holding Company, including all references to Employee Plans of the Holding Company, shall mean the issuance of common stock by the Bank and Employee Plans of the Bank. If no Holding Company is established as part of the Reorganization, the Board of Directors may elect to establish the Holding Company subsequent to the completion of the Reorganization and Stock Offering.

2. **Definitions.**

As used in this Plan, the terms set forth below have the following meanings:

Acting in Concert: The term Acting in Concert means (i) knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not pursuant to an express agreement; or (ii) a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise. A Person or company which acts in concert with another Person or company (“other party”) shall also be deemed to be acting in concert with any Person or company who is also acting in concert with that other party, except that any Tax-Qualified Employee Plan will not be deemed to be acting in concert with its trustee or a Person who serves in a similar capacity solely for the purpose of determining whether stock held by the trustee and stock held by the plan will be aggregated.

Actual Purchase Price: The price per share, determined as provided in this Plan, at which the Common Stock will be sold in the Stock Offering.

Affiliate: Any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another Person.

Associate: The term “Associate,” when used to indicate a relationship with any Person, means: (i) any corporation or organization (other than the Bank, the Holding Company, the MHC or a majority-owned subsidiary of any thereof) of which such Person is a senior officer or partner, or beneficially owns, directly or indirectly, 10% or more of any class of equity securities of the corporation or organization; (ii) any trust or other estate, if the Person has a substantial beneficial interest in the trust or estate or is a trustee or fiduciary of the trust or estate except that for the purposes of this Plan relating to subscriptions in the Stock Offering and the sale of Common Stock following the Reorganization, a Person who has a substantial beneficial interest in any Non-Tax-Qualified Employee Plan or any Tax-Qualified Employee Plan, or who is a trustee or fiduciary of such plan, is not an associate of such plan, and except that for purposes of aggregating total shares that may be held by Officers and Directors, the term “Associate” does not include any Tax-Qualified Employee Plan, and (iii) any Person who is related by blood or marriage to such Person and who (A) lives in the same home as such Person or (B) is a Director or Officer of the Bank, the Holding Company, the MHC or a subsidiary of the Bank, the Holding Company or the MHC.

Bank: Ponce De Leon Federal Bank in its pre-Reorganization mutual form or Ponce Bank in its post-Reorganization stock form, as indicated by the context.

Bank Regulators: The Federal Reserve and other federal bank regulatory agencies, including the OCC and FDIC, as applicable, responsible for reviewing and approving the Reorganization and Stock Offering, including the organization of an interim stock savings bank, the insurance of deposit accounts, and the transfer of assets and liabilities required to effect the Reorganization.

Capital Stock: Any and all authorized stock of the Bank or the Holding Company.

Common Stock: Common stock issuable by the Holding Company in connection with the Reorganization, including securities convertible into Common Stock, pursuant to its stock charter.

Community: Bronx - Bronx County; Manhattan - New York County; Queens - Queens County; and Brooklyn - Kings County, New York; and Hudson County, New Jersey.

Community Offering: The offering to certain members of the general public of any unsubscribed shares in the Subscription Offering. The Community Offering may include a Syndicated Community Offering or public offering.

Control: (including the terms “controlling,” “controlled by” and “under common control with”) means the direct or indirect power to direct or exercise a controlling influence over the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise as described in 12 CFR Part 238.

Deposit Account(s): Any withdrawable account, including, without limitation, savings, time, demand, NOW accounts, money market, certificate and passbook accounts.

Effective Date: The date upon which all necessary approvals have been obtained to complete the Reorganization, and the Reorganization and Stock Offering have been completed.

Eligible Account Holder: Any person holding a Qualifying Deposit on the Eligibility Record Date for purposes of determining subscription rights.

Eligibility Record Date: October 31, 2015, the date for determining who qualifies as an Eligible Account Holder of the Bank.

Employee Plans: The Tax-Qualified and Non-Tax Qualified Employee Plans of the Bank and/or the Holding Company.

ESOP: The Bank’s employee stock ownership plan.

Estimated Valuation Range: The range of the estimated pro forma market value of the total number of shares of Common Stock to be issued by the Holding Company to the MHC and to Minority Stockholders, as determined by the Independent Appraiser prior to the Subscription Offering and as it may be amended from time to time thereafter.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Federal Reserve: The Board of Governors of the Federal Reserve System.

FDIC: The Federal Deposit Insurance Corporation.

Firm Commitment Underwritten Offering: The offering, at the sole discretion of the Holding Company, of shares of Common Stock not subscribed for in the Subscription Offering and any Community Offering or Syndicated Community Offering, to members of the general public through one or more underwriters. A Firm Commitment Underwritten Offering may occur following the Subscription Offering and any Community Offering or Syndicated Community Offering.

Foundation: A charitable foundation qualifying as an exempt organization under Section 501(c)(3) of the Internal Revenue Code established as part of the Reorganization.

HOLA: The Home Owners' Loan Act, as amended.

Holding Company: The federal corporation created in the Reorganization. The Holding Company will be majority-owned by the MHC and will own 100% of the common stock of the Bank.

Holding Company Application: The Holding Company Application on such form as may be prescribed by the Federal Reserve which will be filed with the Federal Reserve in connection with the Reorganization and the formation of the MHC and the Holding Company.

Independent Appraiser: The appraiser retained by the Bank to prepare an appraisal of the pro forma market value of the Bank and the Holding Company.

Interim One: The interim federal stock savings bank established by the Bank as a wholly-owned subsidiary.

Management Person: Any Officer or director of the Bank or any Affiliate of the Bank, and any person acting in concert with any such Officer or director.

Market Maker: A dealer (*i.e.*, any person who engages directly or indirectly as agent, broker, or principal in the business of offering, buying, selling or otherwise dealing or trading in securities issued by another person) who, with respect to a particular security, (1) regularly publishes bona fide competitive bid and offer quotations on request, and (2) is ready, willing and able to effect transactions in reasonable quantities at the dealer's quoted prices with other brokers or dealers.

Member: Any person or entity who qualifies as a member of the Bank pursuant to its charter and bylaws.

MHC: The mutual holding company created in the Reorganization.

Minority Ownership Interest: The shares of the Holding Company's Common Stock owned by persons other than the MHC, expressed as a percentage of the total shares of Holding Company Common Stock outstanding.

Minority Stock Offering: One or more offerings of less than 50% in the aggregate of the outstanding Common Stock of the Holding Company to persons other than the MHC.

Minority Stockholder: Any owner of the Holding Company's Common Stock, other than the MHC.

Non-Voting Stock: Any Capital Stock other than Voting Stock.

Notice: The Notice of Mutual Holding Company Reorganization to be submitted by the Bank to the Federal Reserve to notify the Federal Reserve of the Reorganization and the Stock Offering.

OCC: The Office of the Comptroller of the Currency.

Offering Range: The aggregate purchase price of the Common Stock to be sold in the Stock Offering based on the Independent Valuation expressed as a range, which may vary within 15% above or 15% below the midpoint of such range, with a possible adjustment by up to 15% above the maximum of such range. The Offering Range will be based on the Estimated Valuation Range, but will represent a Minority Ownership Interest equal to up to 49.9% of the Common Stock.

Officer: An executive officer of the MHC, the Holding Company or the Bank, including the Chief Executive Officer, President, Senior Vice Presidents in charge of principal business functions, Secretary, Treasurer and any other person performing similar policy making functions.

Order Form: Any form (together with any attached cover letter and/or certifications or acknowledgements), sent by the Bank to any Person containing among other things a description of the alternatives available to such Person under the Plan and by which any such Person may make elections regarding purchases of Common Stock in the Subscription and Community Offerings.

Other Member: Any person who is a Member of the Bank at the close of business on the Voting Record Date who is not an Eligible Account Holder or Supplemental Eligible Account Holder, or Tax-Qualified Employee Plan.

Person: An individual, corporation, partnership, association, joint-stock company, limited liability company, trust, unincorporated organization, or a government or political subdivision of a government.

Plan: This Amendment No. 1 to the Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan, as amended.

Qualifying Deposit: The aggregate balance of each Deposit Account of an Eligible Account Holder as of the close of business on the Eligibility Record Date or of a Supplemental Eligible Account Holder as of the close of business on the Supplemental Eligibility Record Date, as the case may be, provided such aggregate balance is not less than \$50.

Regulations: The rules and regulations of the Bank Regulators, including the Federal Reserve rules and regulations regarding mutual holding companies and any applicable rules and regulations of the OCC and the FDIC.

Reorganization: The reorganization of the Bank into the mutual holding company structure including the organization of the MHC, the Holding Company and the Stock Bank pursuant to this Plan.

Resident: The terms “resident,” “residence,” “reside,” “resided” or “residing” as used herein with respect to any person shall mean any person who occupied a dwelling within the Bank’s Community, has an intent to remain within the Community for a period of time, and manifests the genuineness of that intent by establishing an ongoing physical presence within the Community together with an indication that such presence within the Community is something other than merely transitory in nature. To the extent the Person is a corporation or other business entity, the principal place of business or headquarters shall be in the Community. To the extent a person is a personal benefit plan, the circumstances of the beneficiary shall apply with respect to this definition. In the case of all other benefit plans, the circumstances of the trustee shall be examined for purposes of this definition. The Bank may utilize deposit or loan records or such other evidence provided to it to make a determination as to whether a person is a resident. In all cases, however, such a determination shall be in the sole discretion of the Bank.

SEC: The Securities and Exchange Commission.

Special Meeting: The Special Meeting of Members called for the purpose of voting on the Plan.

Stock Bank: The federally chartered stock savings bank resulting from the Reorganization, including the purchase and assumption transaction between the Bank and Interim One pursuant to this Plan.

Stock Offering: The offering of Common Stock of the Holding Company to persons other than the MHC, in a Subscription Offering and, to the extent shares remain available, in a Community Offering, Syndicated Community Offering and/or Firm Commitment Underwritten Offering, as the case may be.

Subscription Offering: The offering of Common Stock of the Holding Company for subscription and purchase pursuant to Section 12. A. of this Plan.

Subsidiary: A company that is controlled by another company, either directly or indirectly through one or more subsidiaries.

Supplemental Eligible Account Holder: Any Person holding a Qualifying Deposit on the Supplemental Eligibility Record Date, who is not an Eligible Account Holder, a Tax-Qualified Employee Plan or an Officer or director of the Bank.

Supplemental Eligibility Record Date: The date for determining Supplemental Eligible Account Holders, which shall be the last day of the calendar quarter preceding Federal Reserve approval of the Reorganization. The Supplemental Eligibility Record Date will only occur if the Federal Reserve has not approved the Reorganization within 15 months after the Eligibility Record Date.

Syndicated Community Offering: The offering of Common Stock following or contemporaneously with the Community Offering through a syndicate of broker-dealers.

Tax-Qualified Employee Plan: Any defined benefit plan or defined contribution plan (including any employee stock ownership plan, stock bonus plan, profit-sharing plan, or other plan) of the Bank, the Holding Company, the MHC or any of their affiliates, which, with its related trusts, meets the requirements to be qualified under Section 401 of the Internal Revenue Code. The term "Non-Tax-Qualified Employee Plan" means any stock benefit plan which is not so qualified under Section 401 of the Internal Revenue Code.

Voting Member: Any Person who at the close of business on the Voting Record Date is entitled to vote as a Member of the Bank pursuant to its charter and bylaws.

Voting Record Date: The date established by the Bank for determining which Members are entitled to vote on the Plan.

Voting Stock:

- (1) Voting Stock means common stock or preferred stock, or similar interests if the shares by statute, charter or in any manner, entitle the holder:
 - (i) To vote for or to select directors of the Bank or the Holding Company; and
 - (ii) To vote on or to direct the conduct of the operations or other significant policies of the Bank or the Holding Company.
- (2) Notwithstanding anything in paragraph (1) above, preferred stock is not "**Voting Stock**" if:
 - (i) Voting rights associated with the preferred stock are limited solely to the type customarily provided by statute with regard to matters that would significantly and adversely affect the rights or preferences of the preferred stock, such as the issuance of additional amounts or classes of senior securities, the modification of the terms of the preferred stock, the dissolution of the Bank, or the payment of dividends by the Bank when preferred dividends are in arrears;
 - (ii) The preferred stock represents an essentially passive investment or financing device and does not otherwise provide the holder with control over the issuer; and
 - (iii) The preferred stock does not at the time entitle the holder, by statute, charter, or otherwise, to select or to vote for the selection of directors of the Bank or the Holding Company.
- (3) Notwithstanding anything in paragraphs (1) and (2) above, "**Voting Stock**" shall be deemed to include preferred stock and other securities that, upon transfer or otherwise, are convertible into Voting Stock or exercisable to acquire Voting Stock where the holder of the stock, convertible security or right to acquire Voting Stock has the preponderant economic risk in the underlying Voting Stock. Securities immediately convertible into Voting Stock at the option of the holder without payment of additional consideration shall be deemed to constitute the Voting Stock into which they are convertible; other convertible securities and rights to acquire Voting Stock shall not be deemed to vest the holder with the preponderant economic risk in the underlying Voting Stock if the holder has paid less than 50% of the consideration required to directly acquire the Voting Stock and has no other economic interest in the underlying Voting Stock.

3. **The Reorganization.**

A. **Organization of the Holding Companies and the Bank.**

As part of the Reorganization, the Bank will amend its charter to become the MHC, and the Holding Company and the Stock Bank will be established as federal corporations. The Reorganization will be effected as follows, or in any manner approved by the Bank Regulators that is consistent with the purposes of this Plan and applicable laws and regulations: (i) the Bank will organize Interim One, and transfer pursuant to a purchase and assumption agreement, after Interim One receives approval from the FDIC for insurance of accounts and the FDIC has issued it a certificate number, all of its assets and liabilities, except up to \$200,000 in cash, to Interim One, which will become the Stock Bank; (ii) the Bank will amend its charter and bylaws to read in the form of a federal mutual holding company to become the MHC; (iii) the MHC will organize the Holding Company as a wholly-owned subsidiary, and transfer \$1,000 to the Holding Company in exchange for 100 shares of Holding Company Common Stock; and (iv) the MHC will transfer all of the initially issued stock of the Stock Bank to the Holding Company in exchange for additional shares of Holding Company Common Stock, and the Stock Bank will become a wholly-owned subsidiary of the Holding Company.

Contemporaneously with the Reorganization, the Holding Company will offer for sale in the Stock Offering shares of Common Stock representing less than 50% of the pro forma market value of the Holding Company and the Bank. Upon consummation of the Reorganization, the legal existence of the Bank will not terminate, but the MHC will be a continuation of the Bank, provided that all property of the Bank, including its right, title, and interest in and to all of its property and assets of every conceivable value or benefit then existing or pertaining to the Bank, or which would inure to the Bank will be transferred to the Stock Bank, except for up to \$200,000 in cash. The Stock Bank will have, hold, and enjoy the same in its right and fully and to the same extent as the same was possessed, held, and enjoyed by the Bank. The Stock Bank will continue to have, succeed to, and be responsible for all the assets, rights, liabilities and obligations of the Bank and will maintain its headquarters and operations at the Bank's present locations.

Upon consummation of the Reorganization, substantially all of the assets and liabilities (including the savings accounts, demand accounts, tax and loan accounts, United States Treasury

General Accounts, or United States Treasury Time Deposit Open Accounts, as defined in the Regulations) of the Bank shall become the assets and liabilities of the Stock Bank, which will thereupon become an operating savings bank subsidiary of the Holding Company and of the MHC. The Bank will apply to the Bank Regulators to have the Holding Company receive or retain (as the case may be) up to 50% of the net proceeds of the Stock Offering, or such other amount as may be determined by the Board of Directors. The Stock Bank may distribute additional capital to the Holding Company following the Reorganization, subject to the applicable requirements set forth in the Regulations governing capital distributions.

B. Effect on Deposit Accounts and Borrowings.

Each deposit account in the Bank on the Effective Date will remain a deposit account in the Stock Bank in the same amount and upon the same terms and conditions, and will continue to be federally insured up to the legal maximum by the FDIC in the same manner as the deposit account existed in the Bank immediately prior to the Reorganization. Upon consummation of the Reorganization, all loans and other borrowings from the Bank shall retain the same status with the Stock Bank after the Reorganization as they had with the Bank immediately prior to the Reorganization.

C. The Bank.

Upon completion of the Reorganization the Stock Bank will be authorized to exercise any and all powers, rights and privileges of, and will be subject to all limitations applicable to, capital stock savings banks under federal law. A copy of the proposed charter and bylaws of the Stock Bank is attached hereto as Exhibit A and made a part of this Plan. The Reorganization will not result in any reduction of the amount of retained earnings (other than the assets of the Bank retained by or distributed to the Holding Company or the MHC), undivided profits, and general loss reserves that the Bank had prior to the Reorganization. Such retained earnings and general loss reserves will be accounted for by the MHC, the Holding Company and the Stock Bank on a consolidated basis in accordance with generally accepted accounting principles.

The initial members of the Board of Directors of the Stock Bank will be the members of the existing Board of Directors of the Bank. The Stock Bank will be wholly-owned by the Holding Company. The Holding Company will be wholly-owned by its stockholders who will consist of the MHC and the persons who purchase Common Stock in the Stock Offering and any subsequent Minority Stock Offering. Upon the Effective Date of the Reorganization, the voting and membership rights of Members will be transferred to the MHC, subject to the conditions specified below.

D. The Holding Company.

The Holding Company will be authorized to exercise any and all powers, rights and privileges, and will be subject to all limitations applicable to savings and loan holding companies and mutual holding companies under federal law and regulations. The initial members of the Board of Directors of the Holding Company will be the existing Board of Directors of the Bank. Thereafter, the voting stockholders of the Holding Company will elect approximately one-third of the Holding Company's directors annually. A copy of the proposed charter and bylaws of the Holding Company is attached as Exhibit B and made part of this Plan.

The Holding Company will have the power to issue shares of Capital Stock to persons other than the MHC. However, so long as the MHC is in existence, the MHC will be required to own at least a majority of the Voting Stock of the Holding Company. The Holding Company will be authorized to undertake one or more Minority Stock Offerings of less than 50% in the aggregate of the total outstanding Common Stock of the Holding Company, and the Holding Company intends to offer for sale up to 49.9% of its Common Stock in the Stock Offering.

E. The Mutual Holding Company.

As a mutual corporation, the MHC will have no stockholders. The members of the MHC will have exclusive voting authority as to all matters requiring a vote of members under the charter of the MHC. Persons who have membership rights with respect to the Bank under its existing charter immediately prior to the Reorganization shall continue to have such rights solely with respect to the MHC after the Reorganization so long as such persons remain Members of the Bank after the Reorganization. In addition, all persons who become depositors of the Stock Bank following the Reorganization will have membership rights with respect to the MHC. The rights and powers of the MHC will be defined by the MHC's charter and bylaws (a copy of which is attached to this Plan as Exhibit C and made a part hereof) and by the statutory and regulatory provisions applicable to savings and loan holding companies and mutual holding companies. In particular, the MHC will be subject to the limitations and restrictions imposed on savings and loan holding companies by Section 10(o)(5) of the HOLA.

The initial members of the Board of Directors of the MHC will be the existing Board of Directors of the Bank. Thereafter, approximately one-third of the directors of the MHC will be elected annually by the members of the MHC who will consist of the former Members of the Bank, who continue to be depositors of the Bank, and all persons who become depositors of the Bank after the Reorganization.

4. Conditions to Implementation of the Reorganization.

Consummation of the Reorganization is expressly conditioned upon the following:

A. Approval of the Plan by a majority of the Board of Directors of the Bank.

B. The filing of a Reorganization Notice, including the Plan, with the Federal Reserve and either:

- (i) The Federal Reserve has given written notice of its intent not to disapprove the Reorganization; or
- (ii) Sixty days have passed since the Federal Reserve received the Reorganization Notice and deemed it complete under § 12 CFR 39.10(e) and/or § 12 CFR 238.14(g) of the Federal Reserve regulations, and the Federal Reserve has not given written notice that the Reorganization is disapproved or extended for an additional 30 days the period during which disapproval may be issued.

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- C. The filing of a holding company application with and approval by the Federal Reserve pursuant to the HOLA for the Holding Company and MHC to become mutual savings and loan holding companies by owning or acquiring up to 100% of the common stock of the Stock Bank and the Holding Company, respectively, to be issued in connection with the Reorganization.
 - D. Submission of the Plan to the Members for approval pursuant to a Proxy Statement and form of proxy cleared in advance by the Bank Regulators, and such Plan is approved by a majority of the total votes of the Voting Members eligible to be cast at a meeting held at the call of the directors in accordance with the procedures prescribed by the Bank's charter and bylaws.
 - E. All necessary approvals and non-objections have been obtained from the Bank Regulators, in connection with the adoption of the charter and bylaws of the MHC, the Holding Company and the Stock Bank, the issuance of deposit insurance and a certificate number by the FDIC to the Stock Bank, and the transfer of assets and liabilities of the Bank to the Stock Bank pursuant to the Plan; and all conditions specified or otherwise imposed by the Bank Regulators, in connection with their approvals and/or non-objections, have been satisfied.

5. Special Meeting of Members.

Subsequent to the approval of the Plan by the Bank Regulators, the Special Meeting shall be scheduled in accordance with the Bank's Bylaws. Promptly after receipt of approval and at least 15 days but not more than 45 days prior to the Special Meeting, the Bank shall distribute proxy solicitation materials to all Voting Members. The proxy solicitation materials shall include a proxy statement and other documents authorized for use by the regulatory authorities. A copy of the Plan will be made available to Voting Members upon request. Pursuant to the Regulations, an affirmative vote of not less than a majority of the total outstanding votes of the Voting Members is required for approval of the Plan. Voting may be in person or by proxy. The Bank Regulators shall be notified promptly of the actions of the Voting Members.

6. Rights of Members of the MHC.

Following the Reorganization, all persons who had membership rights with respect to the Bank as of the date of the Reorganization will continue to have such rights solely with respect to the MHC as long as they remain Members with the Bank. All existing proxies granted by members of the Bank to the Board of Directors of the Bank shall automatically become proxies granted to the Board of Directors of the MHC. In addition, all persons who become depositors of the Stock Bank subsequent to the Reorganization also will have membership rights with respect to the MHC. In each case, no person who ceases to be the holder of a deposit account with the Stock Bank after the Reorganization shall have any membership or other rights with respect to the MHC. Borrowers of the Stock Bank who were borrower members of the Bank at the time of Reorganization will have the same membership rights in the MHC as they had in the Bank

immediately prior to the Reorganization for so long their pre-Reorganization borrowings remain outstanding. Borrowers will not receive membership rights in connection with any new borrowings made after the Reorganization.

7. Conversion of MHC to Stock Form.

Following the completion of the Reorganization, the MHC may elect to convert to stock form in accordance with applicable law (a “Conversion Transaction”). The Board of Directors has no current intention to pursue a Conversion Transaction and, thus, there can be no assurance when, if ever, a Conversion Transaction will occur.

In a Conversion Transaction, the MHC would merge with and into the Stock Bank or the Holding Company, with the Stock Bank or the Holding Company as the resulting entity, and the depositors of the Stock Bank would receive the right to subscribe for shares of common stock of the Holding Company or its successor, which shares would represent the ownership interest of the MHC in the Holding Company and the Stock Bank. The additional shares of common stock of the Holding Company issued in the Conversion Transaction would be sold at their aggregate pro forma market value as determined by an Independent Appraisal.

Any Conversion Transaction shall be fair and equitable to Minority Stockholders. In any Conversion Transaction, Minority Stockholders, if any, will be entitled without additional consideration to maintain the same percentage ownership interest in the Holding Company after the Conversion Transaction as their percentage ownership interest in the Holding Company immediately prior to the Conversion Transaction (*i.e.*, the “Minority Ownership Interest”). The Minority Ownership Interest of Minority Stockholders shall not be reduced in a Conversion Transaction as a result of any waiver of dividends by the MHC.

At the sole discretion of the Board of Directors of the MHC and the Holding Company, a Conversion Transaction may be effected in any other manner necessary to qualify the Conversion Transaction as a tax-free reorganization under applicable federal and state tax laws, provided such Conversion Transaction does not diminish the rights and ownership interest of Minority Stockholders. If a Conversion Transaction does not occur, the MHC will always own a majority of the Voting Stock of the Holding Company. Management of the Bank has no current intention to conduct a Conversion Transaction.

A Conversion Transaction would require the approval of the Federal Reserve and would be presented to a vote of the members of the MHC. Federal regulatory policy requires that in any Conversion Transaction the members of the MHC will be accorded the same stock purchase priorities as if the MHC were a mutual savings bank converting to stock form.

8. Timing of the Reorganization and Sale of Capital Stock.

The Bank intends to consummate the Reorganization as soon as feasible following the receipt of all approvals referred to in Section 4 of this Plan. Subject to the approval of the Bank Regulators, the Holding Company intends to commence the Stock Offering concurrently with the proxy solicitation of Members. The Holding Company may close the Stock Offering before the Special Meeting, provided that the offer and sale of the Common Stock shall be conditioned upon approval of the Plan by the Members at the Special Meeting. Subject to Bank Regulator

approval, the Bank's proxy solicitation materials may permit certain Members to return to the Bank by a reasonable date certain a postage paid card or other written communication requesting receipt of the prospectus if the prospectus is not mailed concurrently with the proxy solicitation materials. The Stock Offering shall be conducted in compliance with the Regulations, including 12 CFR 239.24 and 239.25 of the Federal Reserve's Regulation MM and the securities offering regulations of the SEC.

9. Establishment of the Foundation.

As part of the Reorganization, the Bank, in conjunction with funding from the Holding Company, intends to establish a Foundation which will qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and to contribute to the Foundation cash in the amount of \$200,000 of the gross proceeds raised in the Stock Offering and a number of shares of Common Stock equal to 3.3% of the shares of Common Stock to be outstanding following the Reorganization and the Stock Offering.

The Foundation is being formed in connection with the Reorganization in order to support the Bank's charitable activities within the communities located in the counties served by the Bank, and to complement the Bank's community reinvestment activities in a manner that will allow the Bank's local communities in the counties in which the Bank has a branch office (now and in the future) to share in the Bank's financial success as a locally headquartered, community-minded, financial services institution. The funding of the Foundation with Holding Company Common Stock accomplishes this goal as it enables such communities to share in the growth and profitability of the Holding Company and the Bank over the long term. The Foundation will be dedicated to the promotion of charitable purposes including, without limitation, community development, grants or donations to support housing assistance, not-for-profit community groups and other types of organizations or civic minded projects. The Foundation will annually distribute total grants to assist charitable organizations or to fund projects within the communities located in the counties in which the Bank has a branch office (now and in the future) of not less than the "distributable amount" as defined in Section 4942(d) (which is essentially 5.0% of the average fair value of Foundation assets each year, less certain expenses). In order to serve the purposes for which it was formed and maintain its Section 501(c)(3) qualification, the Foundation may sell a portion of the Common Stock contributed to it by the Holding Company. The Foundation will operate in accordance with the following conditions:

- (1) The Foundation must vote its shares of Common Stock in the same ratio as other holders of such shares;
- (2) The Foundation shall be subject to examination by the Federal Reserve at the Foundation's expense;
- (3) The Foundation shall operate in compliance with written policies adopted by its board of directors, including adopting a business plan and conflict of interest policy;
- (4) The Foundation shall provide annual reports to the Federal Reserve describing the grants made and the grant recipients;

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- (5) The Foundation shall not engage in self-dealing and shall comply with all laws necessary to maintain its tax-exempt status under the Internal Revenue Code; and
 - (6) Such conditions, if any, as may be imposed by the Federal Reserve.

The board of directors of the Foundation initially will consist of a majority of individuals who are directors and officers of the Holding Company, the Bank or the MHC. The board of directors of the Foundation will be responsible for establishing the policies of the Foundation with respect to grants or donations, consistent with the stated purposes of the Foundation. For a period of five years following the Reorganization, at least one director on the board of directors of the Foundation will be an independent director who is not an employee, Officer or director of the MHC, the Holding Company or the Bank.

10. Number of Shares to be Offered.

The total number of shares (or range thereof) of Common Stock to be issued and offered for sale pursuant to the Plan shall be determined initially by the Board of Directors of the Bank and the Holding Company in conjunction with the determination of the Independent Appraiser. The number of shares to be offered may be adjusted prior to completion of the Stock Offering. The total number of shares of Common Stock that may be issued to persons other than the MHC at the close of the Stock Offering must be less than 50% of the issued and outstanding shares of Common Stock of the Holding Company.

11. Independent Valuation and Purchase Price of Shares.

All shares of Common Stock sold in the Stock Offering shall be sold at a uniform price per share. The purchase price and number of shares to be outstanding shall be determined by the Board of Directors of the Holding Company on the basis of the estimated pro forma market value of the Holding Company and the Bank. The aggregate purchase price for the Common Stock will not be inconsistent with such market value of the Holding Company and the Bank. The pro forma market value of the Holding Company and the Bank will be determined for such purposes by the Independent Appraiser.

Prior to the commencement of the Stock Offering, an Estimated Valuation Range will be established, which range may vary within 15% above to 15% below the midpoint of such range, and up to 15% greater than the maximum of such range, as determined by the Board of Directors at the time of the Stock Offering and consistent with applicable requirements set forth in the Regulations. The Holding Company intends to issue up to 49.9% of its Common Stock in the Stock Offering. The number of shares of Common Stock to be issued and the ownership interest of the MHC may be increased or decreased by the Holding Company, taking into consideration any change in the independent valuation and other factors, at the discretion of the Board of Directors of the Bank and the Holding Company.

Based upon the independent valuation as updated prior to the commencement of the Stock Offering, the Board of Directors may establish the minimum and maximum percentage of shares of Common Stock that will be offered for sale in the Stock Offering, or it may fix the percentage of shares that will be offered for sale in the Stock Offering. In the event the percentage of the shares offered for sale in the Minority Stock Offering is not fixed in the Stock

Offering, the Minority Ownership Interest resulting from the Stock Offering will be determined as follows: (a) the product of (x) the total number of shares of Common Stock sold by the Holding Company and (y) the purchase price per share, divided by (b) the aggregate pro forma market value of the Bank and the Holding Company upon the closing of the Stock Offering and sale of all the Common Stock.

Notwithstanding the foregoing, no sale of Common Stock may be consummated unless, prior to such consummation, the Independent Appraiser confirms to the Holding Company, the Bank and to the Bank Regulators, that, to the best knowledge of the Independent Appraiser, nothing of a material nature has occurred which, taking into account all relevant factors, would cause the Independent Appraiser to conclude that the aggregate value of the Common Stock sold in the Stock Offering at the Actual Purchase Price is incompatible with its estimate of the aggregate consolidated pro forma market value of the Holding Company and the Bank. If such confirmation is not received, the Holding Company may cancel the Stock Offering, extend the Stock Offering and establish a new price range and/or estimated price range, extend, reopen or hold a new Stock Offering or take such other action as the Bank Regulators may permit.

The estimated market value of the Holding Company and the Bank shall be determined for such purpose by an Independent Appraiser on the basis of such appropriate factors as are not inconsistent with the applicable Regulations. The Common Stock to be issued in the Stock Offering shall be fully paid and nonassessable.

If there is a Community Offering, Syndicated Community Offering or Firm Commitment Underwritten Offering of shares of Common Stock not subscribed for in the Subscription Offering, the price per share at which the Common Stock is sold in such Community Offering, Syndicated Community Offering or Firm Commitment Underwritten Offering shall be the Actual Purchase Price which will be equal to the purchase price per share at which the Common Stock is sold to persons in the Subscription Offering. Shares sold in the Community Offering, Syndicated Community Offering or Firm Commitment Underwritten Offering will be subject to the same limitations as shares sold in the Subscription Offering.

12. Method of Offering Shares and Rights to Purchase Stock.

In descending order of priority, the opportunity to purchase Common Stock shall be given in the Subscription Offering to: (1) Eligible Account Holders; (2) Tax-Qualified Employee Plans; (3) Supplemental Eligible Account Holders; and (4) Other Members, pursuant to priorities established by the Board of Directors. Any shares of Common Stock that are not subscribed for in the Subscription Offering may at the discretion of the Bank and the Holding Company be offered for sale in a Community Offering, a Syndicated Community Offering or a Firm Commitment Underwritten Offering. The minimum purchase by any Person shall be 25 shares. The Holding Company shall determine in its sole discretion whether each prospective purchaser is a “resident,” “associate,” or “acting in concert” as defined in the Plan, and shall interpret all other provisions of the Plan in its sole discretion. All such determinations are in the sole discretion of the Holding Company, and may be based on whatever evidence the Holding Company chooses to use in making any such determination. In addition to the priorities set forth below, the Board of Directors may establish other priorities for the purchase of Common Stock, subject to the approval of the Bank Regulators. The priorities for the purchase of shares in the Stock Offering are as follows:

A. Subscription Offering.

Priority 1: Eligible Account Holders. Each Eligible Account Holder shall receive non-transferable subscription rights to subscribe for shares of Common Stock offered in the Stock Offering in an amount equal to the greater of \$300,000, one-tenth of one percent (0.1%) of the total shares offered in the Stock Offering, or 15 times the product (rounded down to the nearest whole number) obtained by multiplying the total number of shares of Common Stock to be issued in the Stock Offering by a fraction, of which the numerator is the Qualifying Deposit of the Eligible Account Holder and the denominator is the total amount of Qualifying Deposits of all Eligible Account Holders, in each case on the Eligibility Record Date and subject to the provisions of Section 13; provided that the Holding Company may, in its sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase such maximum purchase limitation to 5% of the maximum number of shares offered in the Stock Offering or decrease such maximum purchase limitation to 0.1% of the maximum number of shares offered in the Stock Offering, subject to the overall purchase limitations set forth in Section 13. If there are insufficient shares available to satisfy all subscriptions of Eligible Account Holders, shares will be allocated to Eligible Account Holders so as to permit each such subscribing Eligible Account Holder to purchase a number of shares sufficient to make his total allocation equal to the lesser of 100 shares or the number of shares subscribed for. Thereafter, unallocated shares will be allocated pro rata to remaining subscribing Eligible Account Holders whose subscriptions remain unfilled in the same proportion that each such subscriber’s Qualifying Deposit bears to the total amount of Qualifying Deposits of all subscribing Eligible Account Holders whose subscriptions remain unfilled. To ensure proper allocation of stock, each Eligible Account Holder must list on his subscription order form all accounts in which he had an ownership interest as of the Eligibility Record Date. Officers, directors, and their Associates may be Eligible Account Holders. However, if an Officer, director, or his or her Associate receives subscription rights based on increased deposits in the year before the Eligibility Record Date, subscription rights based upon these deposits are subordinate to the subscription rights of other Eligible Account Holders.

Priority 2: Tax-Qualified Employee Plans. The Tax-Qualified Employee Plans shall be given the opportunity to purchase in the aggregate up to 4.9% of the shares issued and outstanding following the completion of the Stock Offering. In the event of an oversubscription in the Stock Offering, subscriptions for shares by the Tax-Qualified Employee Plans may be satisfied, in whole or in part, out of authorized but unissued shares of the Holding Company subject to the maximum purchase limitations applicable to such plans as set forth herein, or may be satisfied, in whole or in part, through open market purchases by the Tax-Qualified Employee Plans subsequent to the closing the Stock Offering. If the final valuation exceeds the maximum of the Offering Range, up to 4.9% of the Common Stock issued and outstanding following the completion of the Stock Offering may be sold to the Tax-Qualified Employee Plans notwithstanding any oversubscription by Eligible Account Holders.

Priority 3: Supplemental Eligible Account Holders. To the extent there are sufficient shares remaining after satisfaction of subscriptions by Eligible Account Holders, and the Tax-

Qualified Employee Plans, each Supplemental Eligible Account Holder shall receive non-transferable subscription rights to subscribe for shares of Common Stock offered in the Stock Offering in an amount equal to the greater of \$300,000, one-tenth of one percent (0.1%) of the total shares offered in the Stock Offering, or 15 times the product (rounded down to the nearest whole number) obtained by multiplying the total number of shares of Common Stock to be issued in the Stock Offering by a fraction, of which the numerator is the Qualifying Deposit of the Supplemental Eligible Account Holder and the denominator is the total amount of Qualifying Deposits of all Supplemental Eligible Account Holders, in each case on the Supplemental Eligibility Record Date and subject to the provisions of Section 13; provided that the Bank may, in its sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase such maximum purchase limitation to 5% of the maximum number of shares offered in the Stock Offering or decrease such maximum purchase limitation to 0.1% of the maximum number of shares offered in the Stock Offering, subject to the overall purchase limitations set forth in Section 13. In the event Supplemental Eligible Account Holders subscribe for a number of shares which, when added to the shares subscribed for by Eligible Account Holders and the Tax-Qualified Employee Plans, is in excess of the total shares offered in the Stock Offering, the subscriptions of Supplemental Eligible Account Holders will be allocated among subscribing Supplemental Eligible Account Holders so as to permit each subscribing Supplemental Eligible Account Holder to purchase a number of shares sufficient to make his total allocation equal to the lesser of 100 shares or the number of shares subscribed for. Thereafter, unallocated shares will be allocated to each subscribing Supplemental Eligible Account Holder whose subscription remains unfilled in the same proportion that such subscriber's Qualifying Deposits on the Supplemental Eligibility Record Date bear to the total amount of Qualifying Deposits of all subscribing Supplemental Eligible Account Holders whose subscriptions remain unfilled.

Priority 4: Other Members. To the extent that there are sufficient shares remaining after satisfaction of subscriptions by Eligible Account Holders, the Tax-Qualified Employee Plans and Supplemental Eligible Account Holders, each Other Member shall have the opportunity to purchase an amount equal to the greater of \$300,000 or one-tenth of one percent (0.1%) of the total shares offered in the Stock Offering, provided that the Bank may, in its sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase such maximum purchase limitation to 5% of the maximum number of shares offered in the Stock Offering, or decrease such maximum purchase limitation to 0.1% of the maximum number of shares offered in the Stock Offering, subject to the overall purchase limitations set forth in Section 13. In the event Other Members subscribe for a number of shares which, when added to the shares subscribed for by the Eligible Account Holders, Tax-Qualified Employee Plans and Supplemental Eligible Account Holders, is in excess of the total number of shares offered in the Stock Offering, the subscriptions of such Other Members will be allocated among subscribing Other Members on a pro rata basis based on the size of such Other Members' orders.

B. Community Offering.

Any shares of Common Stock not subscribed for in the Subscription Offering may be offered for sale in a Community Offering. This will involve an offering of all unsubscribed shares directly to the general public with a preference to those natural persons residing in the

Community. The Community Offering, if any, shall be for a period of not more than 45 days unless extended by the Holding Company and the Bank, and shall commence concurrently with, during or promptly after the Subscription Offering. The Holding Company and the Bank may use one or more investment banking firms on a best efforts basis to sell the unsubscribed shares in the Subscription and Community Offering. The Holding Company and the Bank may pay a commission or other fee to such investment banking firm(s) as to the shares sold by such firm(s) in the Subscription and Community Offering and may also reimburse such firm(s) for expenses incurred in connection with the sale. No Person may purchase more than \$300,000 of Common Stock in the Community Offering, subject to the overall purchase limitations set forth in Section 13. In the event orders for Common Stock in the Community Offering exceed the number of shares available for sale, shares will be allocated (to the extent shares remain available) first to cover orders of natural persons residing in the Community, and, thereafter, to the extent any shares remain available, to cover orders of other members of the general public on a basis that will promote a widespread distribution of stock. In the event orders for Common Stock in each of these categories exceed the number of shares available for sale within such category, orders shall first be filled up to a maximum of two percent (2%) of the shares sold in the Stock Offering, and thereafter remaining shares will be allocated on an equal number of shares basis per order.

The Bank and the Holding Company, in their sole discretion, may reject subscriptions, in whole or in part, received from any Person under this Section 12.B.

C. Syndicated Community Offering or Firm Commitment Underwritten Offering.

If feasible, any shares of Common Stock not sold in the Subscription Offering or in the Community Offering, if any, may be offered for sale to the general public by a selling group of broker-dealers in a Syndicated Community Offering, subject to terms, conditions and procedures, including the timing of the offering, as may be determined by the Bank and the Holding Company subject to the rights of the Holding Company to accept or reject in whole or in part all orders in the Syndicated Community Offering. It is expected that the Syndicated Community Offering would commence as soon as practicable after termination of the Subscription Offering and the Community Offering, if any. The Syndicated Community Offering shall be completed within 45 days after the termination of the Subscription Offering, unless such period is extended as provided herein. No Person, Associate of such Person, or group of Persons acting in concert, may purchase more than \$300,000 of Common Stock in the Syndicated Community Offering, subject to the overall purchase limitations set forth in Section 13.

Alternatively, if feasible, the Board of Directors may determine to offer any shares of Common Stock sold in the Subscription Offering and any Community Offering for sale in a Firm Commitment Underwritten Offering subject to such terms, conditions and procedures as may be determined by the Bank and the Holding Company, subject to the rights of the Holding Company to accept or reject in whole or in part any orders in the Firm Commitment Underwritten Offering. Provided the Subscription Offering has begun, the Holding Company may begin the Firm Commitment Underwritten Offering at any time.

If for any reason a Syndicated Community Offering or Firm Commitment Underwritten Offering of shares of Common Stock not sold in the Subscription Offering or any Community Offering cannot be effected and any shares remain unsold after the Subscription Offering and the Community Offering, if any, the Boards of Directors of the Holding Company and the Bank will seek to make other arrangements for the sale of unsubscribed shares aggregating at least the minimum of the Offering Range. Such other arrangements will be subject to the receipt of any required approval of the Bank Regulators.

13. Additional Limitations on Purchases of Common Stock.

Purchases of Common Stock in the Stock Offering will be subject to the following purchase limitations:

A. The aggregate amount of outstanding Common Stock of the Holding Company owned or controlled by persons other than the MHC at the close of the Stock Offering shall be less than 50% of the Holding Company's total outstanding Common Stock.

B. The maximum purchase of Common Stock in the Subscription Offering by a Person or group of Persons through a single Deposit Account is \$300,000. No Person by himself, with an Associate or group of Persons acting in concert, may purchase more than \$500,000 of the Common Stock offered in the Stock Offering (or such lesser amount as shall equal 9.9% of the shares sold in the Stock Offering) except that: (i) the Holding Company may, in its sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase such maximum purchase limitation to 9.9% of the number of shares sold in the Stock Offering provided that the total number of shares purchased by Persons, their Associates and those Persons with which they are acting in concert, to the extent such purchases exceed 5% of the shares sold in the Stock Offering, shall not exceed, in the aggregate, 10% (or such higher percentage as may be determined by the Board of Directors with the approval of the Bank Regulators) of the total number of the shares sold in the Offering; (ii) the Tax-Qualified Employee Plans may purchase up to 10% of the shares offered in the Stock Offering; and (iii) for purposes of this subsection 13.B shares to be held by any Tax-Qualified Employee Plan and attributable to a person shall not be aggregated with other shares purchased directly by or otherwise attributable to such person.

C. The aggregate amount of Common Stock acquired in the Stock Offering, plus all prior issuances by the Holding Company, by any Non-Tax-Qualified Employee Plan or any Management Person and his or her Associates, exclusive of any shares of Common Stock acquired by such plan or Management Person and his or her Associates in the secondary market, shall not exceed 4.9% of the outstanding shares of Common Stock of the Holding Company at the conclusion of the Stock Offering. In calculating the number of shares held by any Management Person and his or her Associates under this paragraph, shares held by any Tax-Qualified Employee Plan or Non-Tax-Qualified Employee Plan of the Holding Company or the Bank that are attributable to such Person shall not be counted.

D. The aggregate amount of Common Stock acquired in the Stock Offering, plus all prior issuances by the Holding Company, by any Non-Tax-Qualified Employee Plan or any Management Person and his or her Associates, exclusive of any Common Stock acquired by

such plan or Management Person and his or her Associates in the secondary market, shall not exceed 4.9% of the stockholders' equity of the Holding Company at the conclusion of the Stock Offering. In calculating the number of shares held by any Management Person and his or her Associates under this paragraph, shares held by any Tax-Qualified Employee Plan or Non-Tax-Qualified Employee Plan of the Holding Company or the Bank that are attributable to such Person shall not be counted.

E. The aggregate amount of Common Stock acquired in the Stock Offering, plus all prior issuances by the Holding Company, by any one or more Tax-Qualified Employee Plans, exclusive of any shares of Common Stock acquired by such plans in the secondary market, shall not exceed 4.9% of the outstanding shares of Common Stock of the Holding Company at the conclusion of the Stock Offering.

F. The aggregate amount of Common Stock acquired in the Stock Offering, plus all prior issuances by the Holding Company, by any one or more Tax-Qualified Employee Plans, exclusive of any shares of Common Stock acquired by such plans in the secondary market, shall not exceed 4.9% of the stockholders' equity of the Holding Company at the conclusion of the Stock Offering.

G. The aggregate amount of Common Stock acquired in the Stock Offering, plus all prior issuances by the Holding Company, by all stock benefit plans of the Holding Company or the Bank, other than employee stock ownership plans, shall not exceed 25% of the outstanding common stock of the Holding Company held by persons other than the MHC.

H. The aggregate amount of Common Stock acquired in the Stock Offering, plus all prior issuances by the Holding Company, by all Non-Tax-Qualified Employee Plans or Management Persons and their Associates, exclusive of any Common Stock acquired by such plans or Management Persons and their Associates in the secondary market, shall not exceed 25% (or such higher percentage as may be set by the Board of Directors with the approval of the Bank Regulators) of the outstanding shares of Common Stock held by persons other than the MHC at the conclusion of the Stock Offering. In calculating the number of shares held by Management Persons and their Associates under this paragraph or paragraph I. below, shares held by any Tax-Qualified Employee Plan or Non-Tax-Qualified Employee Plan that are attributable to such persons shall not be counted.

I. The aggregate amount of Common Stock acquired in the Stock Offering, plus all prior issuances by the Holding Company, by all Non-Tax-Qualified Employee Plans or Management Persons and their Associates, exclusive of any Common Stock acquired by such plans or Management Persons and their Associates in the secondary market, shall not exceed 25% of the stockholders' equity of the Holding Company held by persons other than the MHC at the conclusion of the Stock Offering.

J. Notwithstanding any other provision of this Plan, no person shall be entitled to purchase any Common Stock to the extent such purchase would be illegal under any federal law or state law or regulation or would violate regulations or policies of the Financial Industry Regulatory Authority, particularly those regarding free riding and withholding. The Holding Company and/or its agents may ask for an acceptable legal opinion from any purchaser as to the legality of such purchase and may refuse to honor any purchase order if such opinion is not timely furnished.

K. The Board of Directors of the Holding Company has the right in its sole discretion to reject any order submitted by a person whose representations the Board of Directors believes to be false or who it otherwise believes, either alone or acting in concert with others, is violating, circumventing, or intends to violate, evade or circumvent the terms and conditions of this Plan.

L. A minimum of 25 shares of Common Stock must be purchased by each Person purchasing shares in the Stock Offering to the extent those shares are available; provided, however, that in the event the minimum number of shares of Common Stock purchased times the price per share exceeds \$500, then such minimum purchase requirement shall be reduced to such number of shares which when multiplied by the price per share shall not exceed \$500, as determined by the Board.

Subscription rights afforded under this Plan and by Bank Regulator requirements are non-transferable. No person may transfer, offer to transfer, or enter into any agreement or understanding to transfer, the legal or beneficial ownership of any subscription rights under this Plan. No person may transfer, offer to transfer or enter into an agreement or understanding to transfer legal or beneficial ownership of any shares of Common Stock except pursuant to this Plan. Attempts to violate this prohibition are subject to prosecution.

EACH PERSON PURCHASING COMMON STOCK IN THE STOCK OFFERING WILL BE DEEMED TO CONFIRM THAT SUCH PURCHASE DOES NOT CONFLICT WITH THE PURCHASE LIMITATIONS IN THIS PLAN. ALL QUESTIONS CONCERNING WHETHER ANY PERSONS ARE ASSOCIATES OR A GROUP ACTING IN CONCERT OR WHETHER ANY PURCHASE CONFLICTS WITH THE PURCHASE LIMITATIONS IN THIS PLAN OR OTHERWISE VIOLATES ANY PROVISION OF THIS PLAN SHALL BE DETERMINED BY THE BANK IN ITS SOLE DISCRETION. SUCH DETERMINATION SHALL BE CONCLUSIVE, FINAL AND BINDING ON ALL PERSONS, AND THE BANK MAY TAKE ANY REMEDIAL ACTION INCLUDING, WITHOUT LIMITATION, REJECTING THE PURCHASE OR REFERRING THE MATTER TO THE BANK REGULATORS OR OTHER LAW ENFORCEMENT AUTHORITY FOR ACTION, AS THE BANK MAY IN ITS SOLE DISCRETION DEEM APPROPRIATE.

14. Payment for Stock.

All payments for Common Stock subscribed for or ordered in the Stock Offering must be delivered in full to the Bank, together with a properly completed and executed order form, or purchase order in the case of the Syndicated Community Offering, on or prior to the expiration date specified on the order form or purchase order, as the case may be, unless such date is extended by the Bank; provided, that if the Employee Plans subscribe for shares of Common Stock during the Subscription Offering, such plans may pay for such shares at the Actual Purchase Price upon consummation of the Stock Offering. The Holding Company or the Bank may make scheduled discretionary contributions to the ESOP provided such contributions from the Bank, if any, do not cause the Bank to fail to meet its regulatory capital requirement.

Payment for Common Stock shall be made either by personal check, bank draft or money order, or if a purchaser has a Deposit Account in the Bank, such purchaser may pay for the shares subscribed for by authorizing the Bank to make a withdrawal from the purchaser's Deposit Account at the Bank in an amount equal to the purchase price of such shares. Such authorized withdrawal, whether from a savings passbook or certificate account, shall be without penalty as to premature withdrawal. If the authorized withdrawal is from a certificate account, and the remaining balance does not meet the applicable minimum balance requirements, the certificate shall be canceled at the time of withdrawal, without penalty, and the remaining balance will earn interest at the Bank's passbook rate. Funds for which a withdrawal is authorized will remain in the purchaser's Deposit Account but may not be used by the purchaser until the Common Stock has been sold or the 45-day period (or such longer period as may be approved by the Bank Regulators) following the Stock Offering has expired, whichever occurs first. Thereafter, the withdrawal will be given effect only to the extent necessary to satisfy the subscription (to the extent it can be filled) at the Actual Purchase Price per share. Interest will continue to be earned on any amounts authorized for withdrawal until such withdrawal is given effect.

Subscription funds received prior to the completion of the offering will be held in a segregated deposit account at the Bank or, in the Bank's discretion, at another federally insured depository institution. Interest on subscription funds made by personal check, bank draft or money order will be paid by the Bank at a rate no less than the Bank's passbook rate. Such interest will be paid from the date payment is received by the Bank until consummation or termination of the Stock Offering. If for any reason the Stock Offering is not consummated, all payments made by subscribers in the Stock Offering will be refunded to them with interest. In case of amounts authorized for withdrawal from Deposit Accounts, refunds will be made by canceling the authorization for withdrawal.

15. Manner of Exercising Subscription Rights Through Order Forms.

As soon as practicable after the prospectus prepared by the Holding Company and the Bank has been declared effective by the SEC, and the Bank Regulators have approved the Reorganization, copies of the prospectus and order forms will be distributed to all Eligible Account Holders, Supplemental Eligible Account Holders, Other Members and the Tax-Qualified Employee Plans at their last known addresses appearing on the records of the Bank for the purpose of subscribing for shares of Common Stock in the Subscription Offering and will be made available for use by those other persons to whom a Prospectus is delivered.

Each order form will be preceded or accompanied by the prospectus describing the Holding Company, the Bank, the Common Stock and the Subscription and Community Offerings. Each order form will contain, among other things, the following:

A. A specified date by which all order forms must be received by the Bank, which date shall be not less than 20, nor more than 45 days, following the date on which the order forms are first mailed by the Bank, and which date will constitute the termination of the Subscription Offering;

B. The purchase price per share for shares of Common Stock to be sold in the Subscription and Community Offerings;

C. A description of the minimum and maximum number of shares of Common Stock that may be subscribed for pursuant to the exercise of Subscription Rights or otherwise purchased in the Community Offering;

D. Instructions as to how the recipient of the order form must indicate thereon the number of shares of Common Stock for which such Person elects to subscribe and the available alternative methods of payment therefor;

E. An acknowledgment that the recipient of the order form has received a final copy of the prospectus prior to execution of the order form;

F. A statement indicating the consequences of failing to properly complete and return the order form, including a statement to the effect that all subscription rights are nontransferable, will be void at the end of the Subscription Offering, and can only be exercised by delivering to the Bank within the subscription period such properly completed and executed order form, together with a personal check, bank draft or money order in the full amount of the purchase price as specified in the order form for the shares of Common Stock for which the recipient elects to subscribe in the Subscription Offering (or by authorizing on the order form that the Bank withdraw said amount from the subscriber's Deposit Account at the Bank); and

G. A statement to the effect that the executed order form, once received by the Bank, may not be modified or amended by the subscriber without the consent of the Bank.

Notwithstanding the above, the Bank and the Holding Company reserve the right in their sole discretion to accept or reject orders received on photocopied or facsimiled order forms.

16. Undelivered, Defective or Late Order Form; Insufficient Payment.

In the event order forms (a) are not delivered and are returned to the Bank by the United States Postal Service or the Bank is unable to locate the addressee, (b) are not received back by the Bank or are received by the Bank after the expiration date specified thereon, (c) are defectively filled out or executed, (d) are not accompanied by the full required payment for the shares of Common Stock subscribed for (including cases in which Deposit Accounts from which withdrawals are authorized are insufficient to cover the amount of the required payment), or (e) are not mailed pursuant to a "no mail" order placed in effect by the account holder, the subscription rights of the Person to whom such rights have been granted will lapse as though such Person failed to return the completed order form within the time period specified thereon; provided, that the Bank may, but will not be required to, waive any immaterial irregularity on any order form or require the submission of corrected order forms or the remittance of full payment for subscribed shares by such date as the Bank may specify. The interpretation by the Bank of terms and conditions of this Plan and of the order forms will be final, subject to the authority of the Bank Regulators.

17. Completion of the Stock Offering

The Stock Offering will be terminated if not completed within 90 days from the date on which the Plan is approved by the Federal Reserve, unless an extension is approved by the Federal Reserve.

18. Market for Common Stock.

Upon completion of the Stock Offering, the Holding Company shall use its best efforts to:

- A. Encourage and assist a market maker to establish and maintain a market for its common stock; and
- B. List its common stock on a national or regional securities exchange, or on the Nasdaq quotation system.

19. Stock Purchases by Management Persons After the Stock Offering.

For a period of three years after the Stock Offering, no Management Person or his or her Associates may purchase, without the prior written approval of the Bank Regulators, any Common Stock of the Holding Company, except from a broker-dealer registered with the SEC, except that the foregoing shall not apply to:

- A. Negotiated transactions involving more than 1% of the outstanding stock in the class of stock; or
- B. Purchases of stock made by and held by any Tax-Qualified or Non-Tax Qualified Employee Plan even if such stock is attributable to Management Persons or their Associates.

20. Resales of Stock by Directors and Officers.

Common Stock purchased by Management Persons and their Associates in the Stock Offering may not be resold for a period of at least one year following the date of purchase, except in the case of death of a Management Person or an Associate.

21. Stock Certificates.

To the extent there are actual stock certificates, each stock certificate shall bear a legend giving appropriate notice of the restrictions set forth in Section 20 above. Appropriate instructions shall be issued to the Holding Company's transfer agent with respect to applicable restrictions on transfers of such stock. Any shares of stock issued as a stock dividend, stock split or otherwise with respect to such restricted stock, shall be subject to the same restrictions as apply to the restricted stock.

22. Restriction on Financing Stock Purchases.

The Holding Company and the Bank will not loan funds to any Person to purchase Common Stock in the Stock Offering, and will not knowingly offer or sell any of the Common Stock to any Person whose purchase would be financed by funds loaned to the Person by the Holding Company, the Bank or any Affiliate.

23. Stock Benefit Plans.

A. The Holding Company and the Bank are authorized to adopt Tax-Qualified Employee Plans in connection with the Reorganization, including without limitation, an ESOP. Existing as well as any newly created Tax-Qualified Employee Plans may purchase shares of Common Stock in the Stock Offering, to the extent permitted by the terms of such benefit plans and this Plan.

B. The Holding Company and the Bank are authorized to adopt stock option plans, restricted stock plans and other Non-Tax-Qualified Employee Plans no sooner than six months after the completion of the Reorganization and Stock Offering, provided that such stock plans conform to any applicable requirements of Federal regulations, and the Holding Company intends to implement such stock plans after the completion of the Reorganization and Stock Offering, subject to any necessary stockholder approvals.

24. Post-Reorganization Filing and Market Making.

It is anticipated that upon completion of the Stock Offering, the Holding Company shall register its Common Stock with the SEC pursuant to the Exchange Act, and shall undertake not to deregister such Common Stock for a period of three years thereafter. Although the Holding Company will use its best efforts to obtain a market maker for its common stock, there are no assurances that there will be a market for the Common Stock sold in the Stock Offering, and purchasers must be prepared to hold the Common Stock for an indefinite period of time.

25. Payment of Dividends and Repurchase of Stock.

The Holding Company may not declare or pay a cash dividend on its Common Stock if the effect thereof would cause the regulatory capital of the Holding Company to be reduced below any applicable regulatory capital requirement. Otherwise, the Holding Company may declare dividends or make other capital distributions subject to compliance with any applicable Regulations. Following completion of the Stock Offering, the Holding Company may repurchase its Common Stock consistent with § 239.8(c) of the Federal Reserve's Regulations relating to stock repurchases, as long as such repurchases do not cause the regulatory capital of the Holding Company to be reduced below any applicable regulatory capital requirement. The MHC may from time to time purchase Common Stock of the Holding Company, subject to compliance with any applicable Regulations. Subject to any notice or approval requirements of the Federal Reserve, the MHC may waive its right to receive dividends declared by the Holding Company.

26. Reorganization and Stock Offering Expenses.

In accordance with the regulations of the Federal Reserve, the expenses incurred by the Bank and the Holding Company in effecting the Reorganization and the Stock Offering will be reasonable.

27. Employment and Other Severance Agreements.

Following or contemporaneously with the Reorganization, the Bank and/or the Holding Company may enter into employment and/or severance arrangements with one or more executive officers of the Bank and/or the Holding Company. It is anticipated that any employment contracts entered into by the Bank and/or the Holding Company will be for terms not exceeding three years and that such contracts will provide for annual renewals of the contracts, subject to approval by the Board of Directors. The Bank and/or the Holding Company also may enter into severance arrangements with one or more executive officers which provide for the payment of severance compensation in the event of a change in control of the Bank and/or the Holding Company. The terms of such employment and severance arrangements have not been determined as of this time, but will be described in any prospectus circulated in connection with the Stock Offering and will be subject to and comply with all applicable regulations of the Bank Regulators.

28. Residents of Foreign Countries and Certain States.

The Holding Company will make reasonable efforts to comply with the securities laws of all States in the United States in which Persons entitled to subscribe for shares of Common Stock pursuant to this Plan reside. However, no such Person will be issued subscription rights or be permitted to purchase shares of Common Stock in the Subscription Offering if such Person resides in a foreign country or resides in a state of the United States with respect to which any of the following apply: (A) a small number of Persons otherwise eligible to subscribe for shares under this Plan reside in such state; (B) the issuance of subscription rights or the offer or sale of shares of Common Stock to such Persons would require the Holding Company, under the securities laws of such state, to register as a broker, dealer, salesman or agent or to register or otherwise qualify its securities for sale in such state; or (C) such registration or qualification would be impracticable for reasons of cost or otherwise.

29. Interpretation.

All interpretations of this Plan and application of its provisions to particular circumstances by a majority of the Board of Directors of the Bank shall be final, subject to the authority of the Bank Regulators.

30. Amendment or Termination of the Plan.

If necessary or desirable, the terms of the Plan may be substantially amended by a majority vote of the Bank's Board of Directors, as a result of comments from regulatory authorities or otherwise, at any time prior to the solicitation of proxies and submission of the Plan and proxy materials to a vote of the Members. At any time after the solicitation of proxies and submission of the Plan and proxy materials to a vote of the Members, the terms of the Plan that relate to the Reorganization may be amended by a majority vote of the Board of Directors only with the concurrence of the Bank Regulators. Terms of the Plan relating to the Stock Offering including, without limitation, Sections 8 through 21, may be amended by a majority vote of the Bank's Board of Directors as a result of comments from regulatory authorities or otherwise at any time prior to the approval of the Plan by the Bank Regulators, and at any time

thereafter with the concurrence of the Bank Regulators. The Plan may be terminated by a majority vote of the Board of Directors at any time prior to the earlier of approval of the Plan by the Bank Regulators and the date of the Special Meeting, and may be terminated by a majority vote of the Board of Directors at any time thereafter with the concurrence of the Bank Regulators. In its discretion, the Board of Directors may modify or terminate the Plan upon the order of the regulatory authorities without a resolicitation of proxies or another meeting of the Members; however, any material amendment of the terms of the Plan that relate to the Reorganization which occur after the Special Meeting shall require a resolicitation of Members. Failure of the Members to approve the Plan will result in the termination of the Plan.

The Plan shall be terminated if the Reorganization is not completed within 24 months from the date upon which the Members of the Bank approve the Plan, and may not be extended by the Bank or the Bank Regulators.

EXHIBIT A
Charter and Bylaws of Ponce Bank

PONCE BANK

FEDERAL STOCK CHARTER

Section 1. Corporate title. The full corporate title of the savings bank is Ponce Bank (the “Savings Bank”).

Section 2. Office. The home office shall be located in Bronx County, New York.

Section 3. Duration. The duration of the Savings Bank is perpetual.

Section 4. Purpose and powers. The purpose of the Savings Bank is to pursue any or all of the lawful objectives of a Federal savings bank chartered under section 5 of the Home Owners’ Loan Act and to exercise all of the express, implied, and incidental powers conferred thereby and by all acts amendatory thereof and supplemental thereto, subject to the Constitution and laws of the United States as they are now in effect, or as they may hereafter be amended, and subject to all lawful and applicable rules, regulations, and orders of the Office of the Comptroller of the Currency (the “OCC”).

Section 5. Capital stock. The total number of shares of all classes of the capital stock that the Savings Bank has the authority to issue is 60,000,000, of which 50,000,000 shares shall be common stock, par value \$0.01 per share, and of which 10,000,000 shares shall be serial preferred stock, par value \$0.01 per share. The shares may be issued from time to time as authorized by the board of directors without the approval of its shareholders, except as otherwise provided in this Section 5 or to the extent that such approval is required by governing law, rule, or regulation. The consideration for the issuance of the shares shall be paid in full before their issuance and shall not be less than the par value. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of shares of the Savings Bank. The consideration for the shares shall be cash, tangible or intangible property (to the extent direct investment in such property would be permitted to the Savings Bank), labor, or services actually performed for the Savings Bank, or any combination of the foregoing. In the absence of actual fraud in the transaction, the value of such property, labor, or services, as determined by the board of directors of the Savings Bank, shall be conclusive. Upon payment of such consideration, such shares shall be deemed to be fully paid and nonassessable. In the case of a stock dividend, that part of the retained earnings of the Savings Bank that is transferred to common stock or paid-in capital accounts upon the issuance of shares as a stock dividend shall be deemed to be the consideration for their issuance.

Except for shares issued in the initial organization of the Savings Bank or in connection with the conversion of the Savings Bank from the mutual to stock form of capitalization, no shares of capital stock (including shares issuable upon conversion, exchange, or exercise of other securities) shall be issued, directly or indirectly, to officers, directors, or controlling persons of the Savings Bank other than as part of a general public offering or as qualifying shares to a director, unless the issuance or the plan under which they would be issued has been approved by a majority of the total votes eligible to be cast at a legal meeting.

Nothing contained in this Section 5 (or in any supplementary sections hereto) shall entitle the holders of any class or series of capital stock to vote as a separate class or series or to more than one vote per share, and there shall be no cumulation of votes for the election of directors; provided, that this restriction on voting separately by class or series shall not apply:

- (i) To any provision which would authorize the holders of preferred stock, voting as a class or series, to elect some members of the board of directors, less than a majority thereof, in the event of default in the payment of dividends on any class or series of preferred stock;
- (ii) To any provision which would require the holders of preferred stock, voting as a class or series, to approve the merger or consolidation of the Savings Bank with another corporation or the sale, lease, or conveyance (other than by mortgage or pledge) of properties or business in exchange for securities of a corporation other than the Savings Bank if the preferred stock is exchanged for securities of such other corporation; provided, that no provision may require such approval for transactions undertaken with the assistance or pursuant to the direction of the OCC or the Federal Deposit Insurance Corporation;
- (iii) To any amendment which would adversely change the specific terms of any class or series of capital stock as set forth in this Section 5 (or in any supplementary sections hereto), including any amendment which would create or enlarge any class or series ranking prior thereto in rights and preferences. An amendment which increases the number of authorized shares of any class or series of capital stock, or substitutes the surviving savings bank in a merger or consolidation for the Savings Bank, shall not be considered to be such an adverse change.

A description of the different classes and series of the Savings Bank's capital stock and a statement of the designations, and the relative rights, preferences and limitations of the shares of each class of and series of capital stock are as follows:

A. Common stock. Except as provided in this Section 5 (or in any supplementary sections thereto) the holders of common stock shall exclusively possess all voting power. Each holder of shares of common stock shall be entitled to one vote for each share held by such holder and there shall be no cumulation of votes for the election of directors.

Whenever there shall have been paid, or declared and set aside for payment, to the holders of the outstanding shares of any class of stock having preference over the common stock as to payment of dividends, the full amount of dividends and of sinking fund, retirement fund or other retirement payments, if any, to which such holders are respectively entitled in preference to the common stock, then dividends may be paid on the common stock and on any class or series of stock entitled to participate therewith as to dividends out of any assets legally available for the payment of dividends.

In the event of any liquidation, dissolution, or winding up of the Savings Bank, the holders of the common stock (and the holders of any class or series of stock entitled to participate with the common stock in the distribution of assets) shall be entitled to receive, in cash or in kind, the assets of the Savings Bank available for distribution remaining after: (i) payment or provision for payment of the Savings Bank's debts and liabilities; (ii) distributions or provision for distributions in settlement of its liquidation account; and (iii) distributions or provisions for distributions to holders of any class or series of stock having preference over the common stock in the liquidation, dissolution, or winding up of the Savings Bank. Each share of common stock shall have the same relative rights as and be identical in all respects with all the other shares of common stock.

B. Preferred stock. The Savings Bank may provide in supplementary sections to its charter for one or more classes of preferred stock, which shall be separately identified. The shares of any class may be divided into and issued in series, with each series separately designated so as to distinguish the shares thereof from the shares of all other series and classes. The terms of each series shall be set forth in a supplementary section to the charter. All shares of the same class shall be identical, except as to the following relative rights and preferences, as to which there may be variations between different series:

- (a) The distinctive serial designation and the number of shares constituting such series;
- (b) The dividend rate or the amount of dividends to be paid on the shares of such series, whether dividends shall be cumulative and, if so, from which date(s), the payment date(s) for dividends, and the participating or other special rights, if any, with respect to dividends;
- (c) The voting powers, full or limited, if any, of shares of such series;
- (d) Whether the shares of such series shall be redeemable and, if so, the price(s) at which, and the terms and conditions on which, such shares may be redeemed;
- (e) The amount(s) payable upon the shares of such series in the event of voluntary or involuntary liquidation, dissolution, or winding up of the Savings Bank;
- (f) Whether the shares of such series shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of such shares, and if so entitled, the amount of such fund and the manner of its application, including the price(s) at which such shares may be redeemed or purchased through the application of such fund;
- (g) Whether the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes of stock of the Savings Bank and, if so, the conversion price(s) or the rate(s) of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

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- (h) The price or other consideration for which the shares of such series shall be issued; and
 - (i) Whether the shares of such series which are redeemed or converted shall have the status of authorized but unissued shares of serial preferred stock and whether such shares may be reissued as shares of the same or any other series of serial preferred stock.

Each share of each series of serial preferred stock shall have the same relative rights as and be identical in all respects with all the other shares of the same series.

The board of directors shall have authority to divide, by the adoption of supplementary charter sections, any authorized class of preferred stock into series and, within the limitations set forth in this section and the remainder of this charter, fix and determine the relative rights and preferences of the shares of any series so established.

Prior to the issuance of any preferred shares of a series established by a supplementary charter section adopted by the board of directors, the Savings Bank shall file with the Secretary to the OCC a dated copy of that supplementary section of this charter establishing and designating the series and fixing and determining the relative rights and preferences thereof.

C. Beneficial ownership limitation. No person other than Ponce Bank Mutual Holding Company and PDL Community Bancorp may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10 percent of the outstanding stock of any class of voting stock of the Savings Bank held by persons other than Ponce Bank Mutual Holding Company or PDL Community Bancorp. This limitation expires on the fifth anniversary of the date this federal stock charter first becomes effective and does not apply to a transaction in which an underwriter purchases stock in connection with a public offering, or the purchase of stock by an employee stock ownership plan or other tax-qualified employee stock benefit plan that is exempt from the approval requirements under § 238.12(a) of the regulations of the Board of Governors of the Federal Reserve System.

In the event a person acquires stock in violation of this Subsection 5C, all stock beneficially owned by such person in excess of 10 percent of the stock held by shareholders other than Ponce Bank Mutual Holding Company or PDL Community Bancorp shall be considered "excess shares" and shall not be counted as stock entitled to vote and shall not be voted by any person or counted as voting stock in connection with any matters submitted to the shareholders for a vote.

Section 6. Preemptive rights. Holders of the capital stock of the Savings Bank shall not be entitled to preemptive rights with respect to any shares of the Savings Bank which may be issued.

Section 7. Directors. The Savings Bank shall be under the direction of a board of directors. The authorized number of directors, as stated in the Savings Bank's bylaws, shall not be fewer than five nor more than fifteen except when a greater or lesser number is approved by the OCC.

Section 8. Amendment of charter. Except as provided in Section 5, no amendment, addition, alteration, change or repeal of this charter shall be made, unless such is proposed by the board of directors of the Savings Bank, approved by the shareholders by a majority of the votes eligible to be cast at a legal meeting, unless a higher vote is otherwise required, and approved or preapproved by the OCC.

PONCE BANK

ATTEST: _____
Lissette Martinez
Corporate Secretary

BY: _____
Carlos Naudon
President

OFFICE OF THE COMPTROLLER OF THE CURRENCY

ATTEST: _____
Deputy Comptroller for Licensing

BY: _____
Comptroller of the Currency

Effective Date: _____

**PONCE BANK
BYLAWS**

ARTICLE I - HOME OFFICE

The home office of Ponce Bank (the "Savings Bank") shall be at 2244 Westchester Avenue, Bronx, New York.

ARTICLE II - SHAREHOLDERS

Section 1. Place of Meetings. All annual and special meetings of shareholders shall be held at the home office of the Savings Bank or at such other convenient place as the board of directors may determine.

Section 2. Annual Meeting. A meeting of the shareholders of the Savings Bank for the election of directors and for the transaction of any other business of the Savings Bank shall be held annually within 150 days after the end of the Savings Bank's fiscal year on the third Wednesday of April of each calendar year, if not a legal holiday, and if a legal holiday, then on the next day following which is not a legal holiday, or at such other date and time within such 150-day period as the board of directors may determine.

Section 3. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by the regulations of the Office of the Comptroller of the Currency (the "OCC"), may be called at any time by the chairman of the board, the president, or a majority of the board of directors, and shall be called by the chairman of the board, the president, or the secretary upon the written request of the holders of not less than one-tenth of all of the outstanding capital stock of the Savings Bank entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered to the home office of the Savings Bank addressed to the chairman of the board, the president, or the secretary.

Section 4. Conduct of Meetings. Annual and special meetings shall be conducted in accordance with written procedures established by the board of directors, unless otherwise prescribed by regulations of the OCC or these bylaws. The board of directors shall designate, when present, either the chairman of the board or president to preside at such meetings.

Section 5. Notice of Meetings. Written notice stating the place, day, and hour of the meeting and the purpose(s) for which the meeting is called shall be delivered not fewer than 20 nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the chairman of the board, the president, or the secretary, or the directors calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the mail, addressed to the shareholder at the address as it appears on the stock transfer books or records of the Savings Bank as of the record date prescribed in Section 6 of this Article II with postage prepaid. When any shareholders' meeting, either annual or special, is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the time and place of any meeting adjourned for less than 30 days or of the business to be transacted at the meeting, other than an announcement at the meeting at which such adjournment is taken.

Section 6. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the board of directors shall fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall be not more than 60 days and, in case of a meeting of shareholders, not fewer than 10 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment.

Section 7. Voting Lists. At least 20 days before each meeting of the shareholders, the officer or agent having charge of the stock transfer books for shares of the Savings Bank shall make a complete list of the shareholders of record entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address and the number of shares held by each. This list of shareholders shall be kept on file at the home office of the Savings Bank and shall be subject to inspection by any shareholder of record or the shareholder's agent at any time during usual business hours for a period of 20 days prior to such meeting. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any shareholder of record or any shareholder's agent during the entire time of the meeting. The original stock transfer book shall constitute prima facie evidence of the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. In lieu of making the shareholder list available for inspection by shareholders as provided in the preceding paragraph, the board of directors may elect to follow the procedures prescribed in § 152.6(d) of the OCC's regulations as now or hereafter in effect.

Section 8. Quorum. A majority of the outstanding shares of the Savings Bank entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares is represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If a quorum is present at a meeting of shareholders and the withdrawal of shareholders results in the presence of less than a quorum, the shareholders present may continue to transact business until adjournment. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater number of shareholders voting together or voting by classes is required by law or the charter. Directors, however, are elected by a plurality of the votes cast at an election of directors.

Section 9. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his or her duly authorized attorney in fact. Proxies may be given telephonically or electronically as long as the holder uses a procedure for verifying the identity of the shareholder. Proxies solicited on behalf of the management shall be voted as directed by the shareholder or, in the absence of such direction, as determined by a majority of the board of directors. No proxy shall be valid more than eleven months from the date of its execution except for a proxy coupled with an interest.

Section 10. Voting of Shares in the Name of Two or More Persons. When ownership stands in the name of two or more persons, in the absence of written directions to the Savings Bank to the contrary, at any meeting of the shareholders of the Savings Bank any one or more of such shareholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such and present in person or by proxy at such meeting, but no votes shall be cast for such stock if a majority cannot agree.

Section 11. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by any officer, agent, or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares held by an administrator, executor, guardian, or conservator may be voted by him or her, either in person or by proxy, without a transfer of such shares into his or her name. Shares standing in the name of a trustee may be voted by him or her, either in person or by proxy, but no trustee shall be entitled to vote shares held by him or her without a transfer of such shares into his or her name. Shares held in trust in an IRA or Keogh Account, however, may be voted by the Savings Bank if no other instructions are received. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his or her name if authority to do so is contained in an appropriate order of the court or other public authority by which such receiver was appointed. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Neither treasury shares of its own stock held by the Savings Bank nor shares held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the Savings Bank, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 12. Cumulative Voting. Shareholders may not cumulate their votes for election of directors.

Section 13. Inspectors of Election. In advance of any meeting of shareholders, the board of directors may appoint any person other than nominees for office as inspectors of election to act at such meeting or any adjournment. The number of inspectors shall be either one or three. Any such appointment shall not be altered at the meeting. If inspectors of election are not so appointed, the chairman of the board or the president may, or on the request of not fewer than 10 percent of the votes represented at the meeting shall, make such appointment at the meeting. If appointed at the meeting, the majority of the votes present shall determine whether one or three inspectors are to be appointed. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the board of directors in advance of the meeting or at the meeting by the chairman of the board or the president.

Unless otherwise prescribed by regulations of the OCC, the duties of such inspectors shall include: determining the number of shares and the voting power of each share, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the rights to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all shareholders.

Section 14. Nominating Committee. The board of directors shall act as a nominating committee for selecting the management nominees for election as directors. Except in the case of a nominee substituted as a result of the death or other incapacity of a management nominee, the nominating committee shall deliver written nominations to the secretary at least 20 days prior to the date of the annual meeting. Upon delivery, such nominations shall be posted in a conspicuous place in each office of the Savings Bank. No nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by shareholders are made in writing and delivered to the secretary of the Savings Bank at least five days prior to the date of the annual meeting. Upon delivery, such nominations shall be posted in a conspicuous place in each office of the Savings Bank. Ballots bearing the names of all persons nominated by the nominating committee and by shareholders shall be provided for use at the annual meeting.

However, if the nominating committee shall fail or refuse to act at least 20 days prior to the annual meeting, nominations for directors may be made at the annual meeting by any shareholder entitled to vote and shall be voted upon.

Section 15. New Business. Any new business to be taken up at the annual meeting shall be stated in writing and filed with the secretary of the Savings Bank at least five days before the date of the annual meeting, and all business so stated, proposed, and filed shall be considered at the annual meeting; but no other proposal shall be acted upon at the annual meeting. Any shareholder may make any other proposal at the annual meeting and the same may be discussed and considered, but unless stated in writing and filed with the secretary at least five days before the meeting, such proposal shall be laid over for action at an adjourned, special, or annual meeting of the shareholders taking place 30 days or more thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, directors, and committees; but in connection with such reports, no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

Section 16. Informal Action by Shareholders. Any action required to be taken at a meeting of the shareholders, or any other action which may be taken at a meeting of shareholders, may be taken without a meeting if consent in writing, setting forth the action so taken, shall be given by all of the shareholders entitled to vote with respect to the subject matter.

ARTICLE III - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Savings Bank shall be under the direction of its board of directors. The board of directors shall annually elect a chairman of the board from among its members and shall designate, when present, the chairman of the board to preside at its meetings.

Section 2. Number and Term. The board of directors shall consist of seven (7) members, and shall be divided into three classes as nearly equal in number as possible. The members of each class shall be elected for a term of three years and until their successors are elected and qualified. One class shall be elected by ballot annually.

Section 3. Regular Meetings. A regular meeting of the board of directors shall be held without other notice than this bylaw following the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place, for the holding of additional regular meetings without other notice than such resolution. Directors may participate in a meeting by means of a conference telephone or similar communications device through which all persons participating can hear each other at the same time. Participation by such means shall constitute presence in person for all purposes.

Section 4. Special Meetings. Special meetings of the board of directors may be called by or at the request of the chairman of the board, the president, or one-third of the directors. The persons authorized to call special meetings of the board of directors may fix any place, within the Savings Bank's normal lending territory, as the place for holding any special meeting of the board of directors called by such persons. Members of the board of directors may participate in special meetings by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other. Such participation shall constitute presence in person for all purposes.

Section 5. Notice. Written notice of any special meeting shall be given to each director at least 24 hours prior thereto when delivered personally or at least five days prior thereto when delivered by mail to the address at which the director is most likely to be reached or transmitted electronically. Such notice shall be deemed to be delivered when deposited in the mail so addressed, with postage prepaid if mailed, or when the Savings Bank receives notice of delivery if electronically transmitted. Any director may waive notice of any meeting by a writing filed with the secretary. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the board of directors need be specified in the notice of waiver of notice of such meeting.

Section 6. Quorum. A majority of the number of directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the board of directors; but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time. Notice of any adjourned meeting shall be given in the same manner as prescribed by Section 5 of this Article III.

Section 7. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless a greater number is prescribed by regulation of the OCC or by these bylaws.

Section 8. Action Without a Meeting. Any action required or permitted to be taken by the board of directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

Section 9. Resignation. Any director may resign at any time by sending a written notice of such resignation to the home office of the Savings Bank addressed to the chairman of the board or the president. Unless otherwise specified, such resignation shall take effect upon receipt by the chairman of the board or the president. More than three consecutive absences from regular meetings of the board of directors, unless excused by resolution of the board of directors, shall automatically constitute a resignation, effective when such resignation is accepted by the board of directors.

Section 10. Vacancies. Any vacancy occurring on the board of directors may be filled by the affirmative vote of a majority of the remaining directors although less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected to serve only until the next election of directors by the shareholders. Any directorship to be filled by reason of an increase in the number of directors may be filled by election by the board of directors for a term of office continuing only until the next election of directors by the shareholders.

Section 11. Compensation. Directors, as such, may receive a stated salary for their services. By resolution of the board of directors, a reasonable fixed sum, and reasonable expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the board of directors. Members of either standing or special committees may be allowed such compensation for attendance at committee meetings as the board of directors may determine.

Section 12. Presumption of Assent. A director of the Savings Bank who is present at a meeting of the board of directors at which action on any Savings Bank matter is taken shall be presumed to have assented to the action taken unless his or her dissent or abstention shall be entered in the minutes of the meeting or unless he or she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Savings Bank within five days after the date a copy of the minutes of the meeting is received. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 13. Removal of Directors. At a meeting of shareholders called expressly for that purpose, any director may be removed only for cause by a vote of the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of the shares of any class are entitled to elect one or more directors by the provisions of the charter or supplemental sections thereto, the provisions of this section shall apply, in respect to the removal of a director or directors so elected, to the vote of the holders of the outstanding shares of that class and not to the vote of the outstanding shares as a whole.

Section 14. Director Qualifications. A person is not qualified to serve as director if he or she: (1) is under indictment for, or has ever been convicted of, a criminal offense involving dishonesty or breach of trust and the penalty for such offense could be imprisonment for more than one year, (2) is a person against whom a banking agency has, within the past ten years, issued a cease and desist order for conduct involving dishonesty or breach of trust and that order

is final and not subject to appeal, (3) has been found either by a regulatory agency whose decision is final and not subject to appeal or by a court to have (i) breached a fiduciary duty involving personal profit or (ii) committed a willful violation of any law, rule or regulation governing banking, securities, commodities or insurance, or any final cease and desist order issued by a banking, securities, commodities or insurance regulatory agency, or (iii) other than directors as of _____, 2017, if such person did not, at the time of their first election or appointment to the board of directors, maintain their principal residence within a 25 mile radius of an office of the Savings Bank or any subsidiary thereof for a period of at least one year prior to the date of their purported election or appointment to the board of directors.

Section 15. Age Limitations. No person not serving as a director at the time of the initial adoption of the Bylaws may serve as a director of the Savings Bank after attaining the age of ninety (90). Otherwise, no person may serve as a director of the Savings Bank after attaining the age of seventy-five (75). This age limitation does not apply to a director emeritus.

Section 16. Emeritus Directors. Emeritus directors may be appointed and their compensation for services (in an amount not to exceed those fees paid to voting directors) determined by resolution of the board of directors of the Savings Bank. Only former directors of the Savings Bank (including former directors of other savings and loan associations or savings banks that have been merged with, or otherwise acquired by the Savings Bank) shall be eligible to serve as emeritus directors. Emeritus directors shall be available for consultation with and advice to the management of the Savings Bank. Emeritus directors may attend meetings of the board of directors, at the discretion of the board of directors, but shall have no vote on any matter acted upon by such board.

ARTICLE IV - EXECUTIVE AND OTHER COMMITTEES

Section 1. Appointment. The board of directors, by resolution adopted by a majority of the full board, may designate the chairman of the board and two or more of the other directors to constitute an executive committee. The designation of any committee pursuant to this Article IV and the delegation of authority shall not operate to relieve the board of directors, or any director, of any responsibility imposed by law or regulation.

Section 2. Authority. The executive committee, when the board of directors is not in session, shall have and may exercise all of the authority of the board of directors except to the extent, if any, that such authority shall be limited by the resolution appointing the executive committee; and except also that the executive committee shall not have the authority of the board of directors with reference to: the declaration of dividends; the amendment of the charter or bylaws of the Savings Bank, or recommending to the shareholders a plan of merger, consolidation, or conversion; the sale, lease, or other disposition of all or substantially all of the property and assets of the Savings Bank otherwise than in the usual and regular course of its business; a voluntary dissolution of the Savings Bank; a revocation of any of the foregoing; or the approval of a transaction in which any member of the executive committee, directly or indirectly, has any material beneficial interest.

Section 3. Tenure. Subject to the provisions of Section 8 of this Article IV, each member of the executive committee shall hold office until the next regular annual meeting of the board of directors following his or her designation and until a successor is designated as a member of the executive committee.

Section 4. Meetings. Regular meetings of the executive committee may be held without notice at such times and places as the executive committee may fix from time to time by resolution. Special meetings of the executive committee may be called by any member thereof upon not less than one day's notice stating the place, date, and hour of the meeting, which notice may be written or oral. Any member of the executive committee may waive notice of any meeting and no notice of any meeting need to be given to any member thereof who attends in person. The notice of a meeting of the executive committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the executive committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the executive committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action required or permitted to be taken by the executive committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the executive committee.

Section 7. Vacancies. Any vacancy in the executive committee may be filled by a resolution adopted by a majority of the full board of directors.

Section 8. Resignations and Removal. Any member of the executive committee may be removed at any time with or without cause by resolution adopted by a majority of the full board of directors. Any member of the executive committee may resign from the executive committee at any time by giving written notice to the president or secretary of the association. Unless otherwise specified, such resignation shall take effect upon its receipt; the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Procedure. The executive committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these bylaws. It shall keep regular minutes of its proceedings and report the same to the board of directors for its information at the meeting held next after the proceedings shall have occurred.

Section 10. Other Committees. The board of directors may by resolution establish an audit, loan, or other committee composed of directors as they may determine to be necessary or appropriate for the conduct of the business of the Savings Bank and may prescribe the duties, constitution, and procedures thereof.

ARTICLE V - OFFICERS

Section 1. Positions. The officers of the Savings Bank shall be a president, one or more vice presidents, a secretary, and a treasurer or comptroller, each of whom shall be elected by the board of directors. The board of directors may also designate the chairman of the board as an officer. The offices of the secretary and treasurer or comptroller may be held by the same

person and a vice president may also be either the secretary or the treasurer or comptroller. The board of directors may designate one or more vice presidents as executive vice president or senior vice president. The board of directors may also elect or authorize the appointment of such other officers as the business of the Savings Bank may require. The officers shall have such authority and perform such duties as the board of directors may from time to time authorize or determine. In the absence of action by the board of directors, the officers shall have such powers and duties as generally pertain to their respective offices.

Section 2. Election and Term of Office. The officers of the Savings Bank shall be elected annually at the first meeting of the board of directors held after each annual meeting of the shareholders. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as possible. Each officer shall hold office until a successor has been duly elected and qualified or until the officer's death, resignation, or removal in the manner hereinafter provided. Election or appointment of an officer, employee, or agent shall not of itself create contractual rights. The board of directors may authorize the Savings Bank to enter into an employment contract with any officer in accordance with regulations of the OCC; but no such contract shall impair the right of the board of directors to remove any officer at any time in accordance with Section 3 of this Article V.

Section 3. Removal. Any officer may be removed by the board of directors whenever in its judgment the best interests of the Savings Bank will be served thereby, but such removal, other than for cause, shall be without prejudice to the contractual rights, if any, of the person so removed.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the board of directors for the unexpired portion of the term.

Section 5. Remuneration. The remuneration of the officers shall be fixed from time to time by the board of directors.

ARTICLE VI - CONTRACTS, LOANS, CHECKS, AND DEPOSITS

Section 1. Contracts. To the extent permitted by regulations of the OCC, and except as otherwise prescribed by these bylaws with respect to certificates for shares, the board of directors may authorize any officer, employee, or agent of the Savings Bank to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Savings Bank. Such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Savings Bank and no evidence of indebtedness shall be issued in its name unless authorized by the board of directors. Such authority may be general or confined to specific instances.

Section 3. Checks; Drafts, etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Savings Bank shall be signed by one or more officers, employees or agents of the Savings Bank in such manner as shall from time to time be determined by the board of directors.

Section 4. Deposits. All funds of the Savings Bank not otherwise employed shall be deposited from time to time to the credit of the Savings Bank in any duly authorized depositories as the board of directors may select.

ARTICLE VII - CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of capital stock of the Savings Bank shall be in such form as shall be determined by the board of directors and approved by the OCC. Such certificates shall be signed by the chief executive officer or by any other officer of the Savings Bank authorized by the board of directors, attested by the secretary or an assistant secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar other than the Savings Bank itself or one of its employees. Each certificate for shares of capital stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Savings Bank. All certificates surrendered to the Savings Bank for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares has been surrendered and canceled, except that in the case of a lost or destroyed certificate, a new certificate may be issued upon such terms and indemnity to the Savings Bank as the board of directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of capital stock of the Savings Bank shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record or by his or her legal representative, who shall furnish proper evidence of such authority, or by his or her attorney authorized by a duly executed power of attorney and filed with the Savings Bank. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the Savings Bank shall be deemed by the association to be the owner for all purposes.

ARTICLE VIII - FISCAL YEAR

The fiscal year of the Savings Bank shall end on the 31st day of December of each year. The appointment of accountants shall be subject to annual ratification by the shareholders.

ARTICLE IX - DIVIDENDS

Subject to the terms of the Savings Bank's charter and the regulations and orders of the OCC, the board of directors may, from time to time, declare, and the Savings Bank may pay, dividends on its outstanding shares of capital stock.

ARTICLE X - CORPORATE SEAL

The board of directors shall provide a Savings Bank seal which shall be two concentric circles between which shall be the name of the Savings Bank. The year of incorporation or an emblem may appear in the center.

ARTICLE XI - AMENDMENTS

These bylaws may be amended in a manner consistent with regulations of the OCC and shall be effective after: (i) approval of the amendment by a majority vote of the authorized board of directors, or by a majority vote of the votes cast by the shareholders of the Savings Bank at any legal meeting, and (ii) receipt of any applicable regulatory approval. When the Savings Bank fails to meet its quorum requirements, solely due to vacancies on the board, then the affirmative vote of a majority of the sitting board will be required to amend the bylaws.

ARTICLE XII - INDEMNIFICATION

The Savings Bank shall indemnify its personnel, including directors, officers and employees, to the fullest extent authorized by applicable law and regulations, as the same exists or may hereafter be amended; provided, any indemnification by the Savings Bank of the Savings Bank's personnel is subject to any applicable rules or regulations of the federal bank regulators.

ARTICLE XIII - RELIANCE UPON BOOKS, REPORTS AND RECORDS

Each director, each member of any committee designated by the board of directors, and each officer of the Savings Bank shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Savings Bank and upon such information, opinions, reports or statements presented to the Savings Bank by any of its officers or employees, or committees of the board of directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Savings Bank.

EXHIBIT B

Charter and Bylaws of the Holding Company

PDL COMMUNITY BANCORP
STOCK HOLDING COMPANY CHARTER

Section 1. Corporate title. The full corporate title of the mutual holding company subsidiary holding company is PDL Community Bancorp (the “Company”).

Section 2. Domicile. The domicile of the Company shall be in Bronx County, New York.

Section 3. Duration. The duration of the Company is perpetual.

Section 4. Purpose and powers. The purpose of the Company is to pursue any or all of the lawful objectives of a federal mutual holding company chartered under Section 10(o) of the Home Owners’ Loan Act, 12 U.S.C. 1467a(o), and to exercise all of the express, implied, and incidental powers conferred thereby and by all acts amendatory thereof and supplemental thereto, subject to the Constitution and laws of the United States as they are now in effect, or as they may hereafter be amended, and subject to all lawful and applicable rules, regulations, and orders of the Board of Governors of the Federal Reserve System (the “FRB”).

Section 5. Capital stock. The total number of shares of all classes of the capital stock that the Company has the authority to issue is 60,000,000, of which 50,000,000 shares shall be common stock, par value \$0.01 per share, and of which 10,000,000 shares shall be serial preferred stock, par value \$0.01 per share. The shares may be issued from time to time as authorized by the board of directors without the approval of its shareholders, except as otherwise provided in this Section 5 or to the extent that such approval is required by governing law, rule, or regulation. The consideration for the issuance of the shares shall be paid in full before their issuance and shall not be less than the par value. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of shares of the Company. The consideration for the shares shall be cash, tangible or intangible property (to the extent direct investment in such property would be permitted to the Company), labor, or services actually performed for the Company, or any combination of the foregoing. In the absence of actual fraud in the transaction, the value of such property, labor, or services, as determined by the board of directors of the Company, shall be conclusive. Upon payment of such consideration, such shares shall be deemed to be fully paid and nonassessable. In the case of a stock dividend, that part of the retained earnings of the Company that is transferred to common stock or paid-in capital accounts upon the issuance of shares as a stock dividend shall be deemed to be the consideration for their issuance.

Except for shares issued in the initial organization of the Company, no shares of capital stock (including shares issuable upon conversion, exchange, or exercise of other securities) shall be issued, directly or indirectly, to officers, directors, or controlling persons (except for shares issued to the parent mutual holding company) of the Company other than as part of a general public offering or as qualifying shares to a director, unless the issuance or the plan under which they would be issued has been approved by a majority of the total votes eligible to be cast at a legal meeting.

Nothing contained in this Section 5 (or in any supplementary sections hereto) shall entitle the holders of any class or series of capital stock to vote as a separate class or series or to more than one vote per share, and there shall be no cumulation of votes for the election of directors; *provided*, that this restriction on voting separately by class or series shall not apply:

(i) To any provision which would authorize the holders of preferred stock, voting as a class or series, to elect some members of the board of directors, less than a majority thereof, in the event of default in the payment of dividends on any class or series of preferred stock;

(ii) To any provision which would require the holders of preferred stock, voting as a class or series, to approve the merger or consolidation of the Company with another corporation or the sale, lease, or conveyance (other than by mortgage or pledge) of properties or business in exchange for securities of a corporation other than the Company if the preferred stock is exchanged for securities of such other corporation; *provided*, that no provision may require such approval for transactions undertaken with the assistance or pursuant to the direction of the FRB or the Federal Deposit Insurance Corporation;

(iii) To any amendment which would adversely change the specific terms of any class or series of capital stock as set forth in this Section 5 (or in any supplementary sections hereto), including any amendment which would create or enlarge any class or series ranking prior thereto in rights and preferences. An amendment which increases the number of authorized shares of any class or series of capital stock, or substitutes the surviving company in a merger or consolidation for the Company, shall not be considered to be such an adverse change.

A description of the different classes and series of the Company's capital stock and a statement of the designations, and the relative rights, preferences and limitations of the shares of each class of and series of capital stock are as follows:

A. Common Stock. Except as provided in this Section 5 (or in any supplementary sections thereto) the holders of common stock shall exclusively possess all voting power. Each holder of shares of common stock shall be entitled to one vote for each share held by such holder and there shall be no cumulation of votes for the election of directors.

Whenever there shall have been paid, or declared and set aside for payment, to the holders of the outstanding shares of any class of stock having preference over the common stock as to payment of dividends, the full amount of dividends and of sinking fund, retirement fund or other retirement payments, if any, to which such holders are respectively entitled in preference to the common stock, then dividends may be paid on the common stock and on any class or series of stock entitled to participate therewith as to dividends out of any assets legally available for the payment of dividends.

In the event of any liquidation, dissolution, or winding up of the Company, the holders of the common stock (and the holders of any class or series of stock entitled to participate with the common stock in the distribution of assets) shall be entitled to receive, in cash or in kind, the assets of the Company available for distribution remaining after: (i) payment or provision for payment of the Company's debts and liabilities; (ii) distributions or provision for distributions in settlement of its liquidation account; and (iii) distributions or provisions for distributions to

holders of any class or series of stock having preference over the common stock in the liquidation, dissolution, or winding up of the Company. Each share of common stock shall have the same relative rights as and be identical in all respects with all the other shares of common stock.

B. Preferred stock. The Company may provide in supplementary sections to its charter for one or more classes of preferred stock, which shall be separately identified. The shares of any class may be divided into and issued in series, with each series separately designated so as to distinguish the Shares thereof from the shares of all other series and classes. The terms of each series shall be set forth in a supplementary section to the charter. All shares of the same class shall be identical, except as to the following relative rights and preferences, as to which there may be variations between different series:

- (a) The distinctive serial designation and the number of shares constituting such series;
- (b) The dividend rate or the amount of dividends to be paid on the shares of such series, whether dividends shall be cumulative and, if so, from which date(s), the payment date(s) for dividends, and the participating or other special rights, if any, with respect to dividends;
- (c) The voting powers, full or limited, if any, of shares of such series;
- (d) Whether the shares of such series shall be redeemable and, if so, the price(s) at which, and the terms and conditions on which, such shares may be redeemed;
- (e) The amount(s) payable upon the shares of such series in the event of voluntary or involuntary liquidation, dissolution, or winding up of the Company;
- (f) Whether the shares of such series shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of such shares, and if so entitled, the amount of such fund and the manner of its application, including the price(s) at which such shares may be redeemed or purchased through the application of such fund;
- (g) Whether the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes of stock of the Company and, if so, the conversion price(s) or the rate(s) of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;
- (h) The price or other consideration for which the shares of such series shall be issued; and
- (i) Whether the shares of such series which are redeemed or converted shall have the status of authorized but unissued shares of serial preferred stock and whether such shares may be reissued as shares of the same or any other series of serial preferred stock.

Each share of each series of serial preferred stock shall have the same relative rights as and be identical in all respects with all the other shares of the same series.

The board of directors shall have authority to divide, by the adoption of supplementary charter sections, any authorized class of preferred stock into series and, within the limitations set forth in this section and the remainder of this charter, fix and determine the relative rights and preferences of the shares of any series so established.

Prior to the issuance of any preferred shares of a series established by a supplementary charter section adopted by the board of directors, the Company shall file with the appropriate Regional Bank of the FRB a dated copy of that supplementary section of this charter establishing and designating the series and fixing and determining the relative rights and preferences thereof.

C. Beneficial Ownership Limitation. No person other than Ponce Bank Mutual Holding Company may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10 percent of the outstanding stock of any class of voting stock of the Company held by persons other than Ponce Bank Mutual Holding Company. This limitation expires on the fifth anniversary of the date this federal stock charter first becomes effective and does not apply to a transaction in which an underwriter purchases stock in connection with a public offering, or the purchase of stock by an employee stock ownership plan or other tax-qualified employee stock benefit plan that is exempt from the approval requirements under § 238.12(a) of the FRB's regulations.

In the event a person acquires stock in violation of this Subsection 5C, all stock beneficially owned by such person in excess of 10 percent of the stock held by shareholders other than Ponce Bank Mutual Holding Company shall be considered "excess shares" and shall not be counted as stock entitled to vote and shall not be voted by any person or counted as voting stock in connection with any matters submitted to the shareholders for a vote.

Section 6. Preemptive rights. Holders of the capital stock of the Company shall not be entitled to preemptive rights with respect to any shares of the Company which may be issued.

Section 7. Directors. The Company shall be under the direction of a board of directors. The authorized number of directors, as stated in the Company's bylaws, shall not be fewer than five nor more than fifteen except when a greater or lesser number is approved by the FRB, or its delegate.

Section 8. Amendment of charter. Except as provided in Section 5, no amendment, addition, alteration, change or repeal of this charter shall be made, unless such is proposed by the board of directors of the Company, approved by the shareholders by a majority of the votes eligible to be cast at a legal meeting, unless a higher vote is otherwise required, and approved or preapproved by the FRB.

PDL COMMUNITY BANCORP

ATTEST: _____
Lissette Martinez
Corporate Secretary

BY: _____
Carlos Naudon
President

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE
SYSTEM**

BY: _____
Secretary of Board of Governors of the Federal Reserve
System

Effective Date: _____

**PDL COMMUNITY BANCORP
BYLAWS**

ARTICLE I - HOME OFFICE

The home office of PDL Community Bancorp (the “Company”) shall be at 2244 Westchester Avenue, Bronx, Bronx County, New York.

ARTICLE II - SHAREHOLDERS

Section 1. Place of Meetings. All annual and special meetings of shareholders shall be held at the home office of the Company or at such other convenient place as the board of directors may determine.

Section 2. Annual Meeting. A meeting of the shareholders of the Company for the election of directors and for the transaction of any other business of the Company shall be held annually within 150 days after the end of the Company’s fiscal year on the third Wednesday of April of each calendar year if not a legal holiday, and if a legal holiday, then on the next day following which is not a legal holiday, or at such other date and time within such 150-day period as the board of directors may determine.

Section 3. Special Meetings. Special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by the regulations of the Board of Governors of the Federal Reserve System (the “FRB”), may be called at any time by the chairman of the board, the president, or a majority of the board of directors, and shall be called by the chairman of the board, the president, or the secretary upon the written request of the holders of not less than one-tenth of all of the outstanding capital stock of the Company entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered to the home office of the Company addressed to the chairman of the board, the president, or the secretary.

Section 4. Conduct of Meetings. Annual and special meetings shall be conducted in accordance with written procedures established by the board of directors, unless otherwise prescribed by regulations of the FRB or these bylaws. The board of directors shall designate, when present, either the chairman of the board or president to preside at such meetings.

Section 5. Notice of Meetings. Written notice stating the place, day, and hour of the meeting and the purpose(s) for which the meeting is called shall be delivered not fewer than 20 nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the chairman of the board, the president, or the secretary, or the directors calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the mail, addressed to the shareholder at the address as it appears on the stock transfer books or records of the Company as of the record date prescribed in section 6 of this Article II with postage prepaid. When any shareholders’ meeting, either annual or special, is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the time and place of any meeting adjourned for less than 30 days or of the business to be transacted at the meeting, other than an announcement at the meeting at which such adjournment is taken.

Section 6. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the board of directors shall fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall be not more than 60 days and, in case of a meeting of shareholders, not fewer than 10 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment.

Section 7. Voting Lists. At least 20 days before each meeting of the shareholders, the officer or agent having charge of the stock transfer books for shares of the Company shall make a complete list of the shareholders of record entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address and the number of shares held by each. This list of shareholders shall be kept on file at the home office of the Company and shall be subject to inspection by any shareholder of record or the shareholder's agent at any time during usual business hours for a period of 20 days prior to such meeting. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to inspection by any shareholder of record or any shareholder's agent during the entire time of the meeting. The original stock transfer book shall constitute prima facie evidence of the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. In lieu of making the shareholder list available for inspection by shareholders as provided in the preceding paragraph, the board of directors may elect to follow the procedures prescribed in § 239.26(d) of the FRB's regulations as now or hereafter in effect.

Section 8. Quorum. A majority of the outstanding shares of the Company entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares is represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If a quorum is present at a meeting of shareholders and the withdrawal of shareholders results in the presence of less than a quorum, the shareholders present may continue to transact business until adjournment. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater number of shareholders voting together or voting by classes is required by law or the charter. Directors, however, are elected by a plurality of the votes cast at an election of directors.

Section 9. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his or her duly authorized attorney in fact. Proxies may be given telephonically or electronically as long as the holder uses a procedure for verifying the identity of the shareholder. Proxies solicited on behalf of the management shall be voted as directed by the shareholder or, in the absence of such direction, as determined by a majority of the board of directors. No proxy shall be valid more than eleven months from the date of its execution except for a proxy coupled with an interest.

Section 10. Voting of Shares in the Name of Two or More Persons. When ownership stands in the name of two or more persons, in the absence of written directions to the Company to the contrary, at any meeting of the shareholders of the Company any one or more of such shareholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such and present in person or by proxy at such meeting, but no votes shall be cast for such stock if a majority cannot agree.

Section 11. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by any officer, agent, or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares held by an administrator, executor, guardian, or conservator may be voted by him or her, either in person or by proxy, without a transfer of such shares into his or her name. Shares standing in the name of a trustee may be voted by him or her, either in person or by proxy, but no trustee shall be entitled to vote shares held by him or her without a transfer of such shares into his or her name. Shares held in trust in an IRA or Keogh Account, however, may be voted by the Company if no other instructions are received. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his or her name if authority to do so is contained in an appropriate order of the court or other public authority by which such receiver was appointed. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred. Neither treasury shares of its own stock held by the Company nor shares held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the Company, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 12. Cumulative Voting. Shareholders may not cumulate their votes for election of directors.

Section 13. Inspectors of Election. In advance of any meeting of shareholders, the board of directors may appoint any individual other than nominees for office as inspectors of election to act at such meeting or any adjournment. The number of inspectors shall be either one or three. Any such appointment shall not be altered at the meeting. If inspectors of election are not so appointed, the chairman of the board or the president may, or on the request of not fewer than 10 percent of the votes represented at the meeting shall, make such appointment at the meeting. If appointed at the meeting, the majority of the votes present shall determine whether one or three inspectors are to be appointed. In case any individual appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the board of directors in advance of the meeting or at the meeting by the chairman of the board or the president. Unless otherwise prescribed by regulations of the FRB, the duties of such inspectors shall include: determining the number of shares and the voting power of each share, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the rights to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all shareholders.

Section 14. Nominating Committee. The board of directors shall appoint a nominating committee for selecting the management nominees for election as directors. Except in the case of a nominee substituted as a result of the death or other incapacity of a management nominee, the nominating committee shall deliver written nominations to the secretary at least 20 days prior to the date of the annual meeting. Upon delivery, such nominations shall be posted in a conspicuous place in each office of the Company. No nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by shareholders are made in writing and delivered to the secretary of the Company at least five days prior to the date of the annual meeting. Such shareholder's notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, and (iii) such person's written consent to serve as a director, if elected; and (B) as to the shareholder giving the notice (i) the name and address of such shareholder and (ii) the class and number of shares of the Company that are owned of record by such shareholder. At the request of the board of directors, any person nominated by the board of directors for election as a director shall furnish to the secretary that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee together with the required written consents. Upon delivery, such nominations shall be posted in a conspicuous place in each office of the Company. Ballots bearing the names of all persons nominated by the nominating committee and by shareholders shall be provided for use at the annual meeting. However, if the nominating committee shall fail or refuse to act at least 20 days prior to the annual meeting, nominations for directors may be made at the annual meeting by any shareholder entitled to vote and shall be voted upon.

Section 15. New Business. Any new business to be taken up at the annual meeting shall be stated in writing and filed with the secretary of the Company at least five days before the date of the annual meeting, and all business so stated, proposed, and filed shall be considered at the annual meeting; but no other proposal shall be acted upon at the annual meeting. Any shareholder may make any other proposal at the annual meeting and the same may be discussed and considered, but unless stated in writing and filed with the secretary at least five days before the meeting, such proposal shall be laid over for action at an adjourned, special, or annual meeting of the shareholders taking place 30 days or more thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, directors, and committees; but in connection with such reports, no new business shall be acted upon at such annual meeting unless stated and filed as herein provided. A shareholder's notice to the secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (A) a brief description of the proposal desired to be brought before the annual meeting, and (B) the business, as well as the name and address of such shareholder and the class and number of shares of the Company that are owned of record by such shareholder.

Section 16. Informal Action by Shareholders. Any action required to be taken at a meeting of the shareholders, or any other action which may be taken at a meeting of shareholders, may be taken without a meeting if consent in writing, setting forth the action so taken, shall be given by all of the shareholders entitled to vote with respect to the subject matter.

ARTICLE III - BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Company shall be under the direction of its board of directors. The board of directors shall annually elect a chairman of the board from among its members and shall designate, when present, the chairman of the board to preside at its meetings.

Section 2. Number and Term. The board of directors shall consist of seven (7) members, and shall be divided into three classes as nearly equal in number as possible. The members of each class shall be elected for a term of three years and until their successors are elected and qualified. One class shall be elected by ballot annually.

Section 3. Regular Meetings. A regular meeting of the board of directors shall be held without other notice than this bylaw following the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place, for the holding of additional regular meetings without other notice than such resolution. Directors may participate in a meeting by means of a conference telephone or similar communications device through which all individuals participating can hear each other at the same time. Participation by such means shall constitute presence in person for all purposes.

Section 4. Director Share Ownership. Each director shall at all times be the beneficial owner of not less than 100 shares of capital stock of the Company unless the Company is a wholly owned subsidiary of a holding company.

Section 5. Special Meetings. Special meetings of the board of directors may be called by or at the request of the chairman of the board, the president, or one-third of the directors. The persons authorized to call special meetings of the board of directors may fix any place, within the Company's normal lending territory, as the place for holding any special meeting of the board of directors called by such persons. Members of the board of directors may participate in special meetings by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other. Such participation shall constitute presence in person for all purposes.

Section 6. Notice. Written notice of any special meeting shall be given to each director at least 24 hours prior thereto when delivered personally or at least five days prior thereto when delivered by mail to the address at which the director is most likely to be reached or transmitted electronically. Such notice shall be deemed to be delivered when deposited in the mail so addressed, with postage prepaid if mailed, or when the Company receives notice of delivery if electronically transmitted. Any director may waive notice of any meeting by a writing filed with the secretary. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the board of directors need be specified in the notice of waiver of notice of such meeting.

Section 7. Quorum. A majority of the number of directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the board of

directors; but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time. Notice of any adjourned meeting shall be given in the same manner as prescribed by Section 6 of this Article III.

Section 8. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless a greater number is prescribed by regulation of the FRB or by these bylaws.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the board of directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

Section 10. Resignation. Any director may resign at any time by sending a written notice of such resignation to the home office of the Company addressed to the chairman of the board or the president. Unless otherwise specified, such resignation shall take effect upon receipt by the chairman of the board or the president. More than three consecutive absences from regular meetings of the board of directors, unless excused by resolution of the board of directors, shall automatically constitute a resignation, effective when such resignation is accepted by the board of directors.

Section 11. Vacancies. Any vacancy occurring on the board of directors may be filled by the affirmative vote of a majority of the remaining directors although less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected to serve only until the next election of directors by the shareholders. Any directorship to be filled by reason of an increase in the number of directors may be filled by election by the board of directors for a term of office continuing only until the next election of directors by the shareholders.

Section 12. Compensation. Directors, as such, may receive a stated salary for their services. By resolution of the board of directors, a reasonable fixed sum, and reasonable expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the board of directors. Members of either standing or special committees may be allowed such compensation for attendance at committee meetings as the board of directors may determine.

Section 13. Presumption of Assent. A director of the Company who is present at a meeting of the board of directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his or her dissent or abstention shall be entered in the minutes of the meeting or unless he or she shall file a written dissent to such action with the individual acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Company within five days after the date a copy of the minutes of the meeting is received. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 14. Removal of Directors. At a meeting of shareholders called expressly for that purpose, any director may be removed only for cause by a vote of the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of the shares of any class are entitled to elect one or more directors by the provisions of the charter or supplemental sections thereto, the provisions of this section shall apply, in respect to the removal of a director or directors so elected, to the vote of the holders of the outstanding shares of that class and not to the vote of the outstanding shares as a whole.

For purposes of this section, removal for cause includes, as defined in 12 C.F.R. Section 163.39, or any successor regulation, “personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, [or a] willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order.”

Section 15. Director Qualifications. A person is not qualified to serve as director if he or she: (1) is under indictment for, or has ever been convicted of, a criminal offense involving dishonesty or breach of trust and the penalty for such offense could be imprisonment for more than one year, (2) is a person against whom a banking agency has, within the past ten years, issued a cease and desist order for conduct involving dishonesty or breach of trust and that order is final and not subject to appeal, (3) has been found either by a regulatory agency whose decision is final and not subject to appeal or by a court to have (i) breached a fiduciary duty involving personal profit or (ii) committed a willful violation of any law, rule or regulation governing banking, securities, commodities or insurance, or any final cease and desist order issued by a banking, securities, commodities or insurance regulatory agency, or (iii) other than directors as of _____, 2017, if such person did not, at the time of their first election or appointment to the board of directors, maintain their principal residence within a 25 mile radius of an office of the Company or any subsidiary thereof for a period of at least one year prior to the date of their purported election or appointment to the board of directors.

Section 16. Age Limitations. No person not serving as a director at the time of the initial adoption of the Bylaws may serve as a director of the Company after attaining the age of ninety (90). Otherwise, no person may serve as a director of the Company after attaining the age of seventy-five (75). This age limitation does not apply to a director emeritus.

Section 17. Emeritus Directors. Emeritus directors may be appointed and their compensation for services (in an amount not to exceed those fees paid to voting directors) determined by resolution of the board of directors of the Company. Only former directors of the Company or Ponce Bank (including former directors of other savings and loan associations or savings banks that have been merged with, or otherwise acquired by the Company) shall be eligible to serve as emeritus directors. Emeritus directors shall be available for consultation with and advice to the management of the Company. Emeritus directors may attend meetings of the board of directors, at the discretion of the board of directors, but shall have no vote on any matter acted upon by such board.

ARTICLE IV - EXECUTIVE AND OTHER COMMITTEES

Section 1. Appointment. The board of directors, by resolution adopted by a majority of the full board, may designate the chairman of the board and two or more of the other directors to constitute an executive committee. The designation of any committee pursuant to this Article IV and the delegation of authority shall not operate to relieve the board of directors, or any director, of any responsibility imposed by law or regulation.

Section 2. Authority. The executive committee, when the board of directors is not in session, shall have and may exercise all of the authority of the board of directors except to the extent, if any, that such authority shall be limited by the resolution appointing the executive committee; and except also that the executive committee shall not have the authority of the board of directors with reference to: the declaration of dividends; the amendment of the charter or bylaws of the Company, or recommending to the shareholders a plan of merger, consolidation, or conversion; the sale, lease, or other disposition of all or substantially all of the property and assets of the Company otherwise than in the usual and regular course of its business; a voluntary dissolution of the Company; a revocation of any of the foregoing; or the approval of a transaction in which any member of the executive committee, directly or indirectly, has any material beneficial interest.

Section 3. Tenure. Subject to the provisions of Section 8 of this Article IV, each member of the executive committee shall hold office until the next regular annual meeting of the board of directors following his or her designation and until a successor is designated as a member of the executive committee.

Section 4. Meetings. Regular meetings of the executive committee may be held without notice at such times and places as the executive committee may fix from time to time by resolution. Special meetings of the executive committee may be called by any member thereof upon not less than one day's notice stating the place, date, and hour of the meeting, which notice may be written or oral. Any member of the executive committee may waive notice of any meeting and no notice of any meeting need be given to any member thereof who attends in person. The notice of a meeting of the executive committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the executive committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the executive committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action required or permitted to be taken by the executive committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the executive committee.

Section 7. Vacancies. Any vacancy in the executive committee may be filled by a resolution adopted by a majority of the full board of directors.

Section 8. Resignations and Removal. Any member of the executive committee may be removed at any time with or without cause by resolution adopted by a majority of the full board of directors. Any member of the executive committee may resign from the executive committee at any time by giving written notice to the president or secretary of the Company. Unless otherwise specified, such resignation shall take effect upon its receipt; the acceptance of such resignation shall not be necessary to make it effective. No notice of any meeting need be given to any member thereof who attends in person. The notice of a meeting of the executive committee need not state the business proposed to be transacted at the meeting.

Section 9. Procedure. The executive committee shall elect a presiding officer from its members and may fix its own rules of procedure, which shall not be inconsistent with these bylaws. It shall keep regular minutes of its proceedings and report the same to the board of directors for its information at the meeting held next after the proceedings shall have occurred.

Section 10. Other Committees. The board of directors may by resolution establish an audit, loan, or other committee composed of directors as they may determine to be necessary or appropriate for the conduct of the business of the Company and may prescribe the duties, constitution, and procedures thereof.

ARTICLE V - OFFICERS

Section 1. Positions. The officers of the Company shall be a president, one or more vice presidents, a secretary, and a treasurer or comptroller, each of whom shall be elected by the board of directors. The board of directors may also designate the chairman of the board as an officer. The offices of the secretary and treasurer or comptroller may be held by the same individual and a vice president may also be either the secretary or the treasurer or comptroller. The board of directors may designate one or more vice presidents as executive vice president or senior vice president. The board of directors may also elect or authorize the appointment of such other officers as the business of the Company may require. The officers shall have such authority and perform such duties as the board of directors may from time to time authorize or determine. In the absence of action by the board of directors, the officers shall have such powers and duties as generally pertain to their respective offices.

Section 2. Election and Term of Office. The officers of the Company shall be elected annually at the first meeting of the board of directors held after each annual meeting of the shareholders. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as possible. Each officer shall hold office until a successor has been duly elected and qualified or until the officer's death, resignation, or removal in the manner hereinafter provided. Election or appointment of an officer, employee, or agent shall not of itself create contractual rights. The board of directors may authorize the Company to enter into an employment contract with any officer in accordance with regulations of the FRB; but no such contract shall impair the right of the board of directors to remove any officer at any time in accordance with Section 3 of this Article V.

Section 3. Removal. Any officer may be removed by the board of directors whenever in its judgment the best interests of the Company will be served thereby, but such removal, other than for cause, shall be without prejudice to the contractual rights, if any, of the officer so removed.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the board of directors for the unexpired portion of the term.

Section 5. Remuneration. The remuneration of the officers shall be fixed from time to time by the board of directors.

ARTICLE VI - CONTRACTS, LOANS, CHECKS, AND DEPOSITS

Section 1. Contracts. To the extent permitted by regulations of the FRB, and except as otherwise prescribed by these bylaws with respect to certificates for shares, the board of directors may authorize any officer, employee, or agent of the Company to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Company. Such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Company and no evidence of indebtedness shall be issued in its name unless authorized by the board of directors. Such authority may be general or confined to specific instances.

Section 3. Checks; Drafts, etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Company shall be signed by one or more officers, employees or agents of the Company in such manner as shall from time to time be determined by the board of directors.

Section 4. Deposits. All funds of the Company not otherwise employed shall be deposited from time to time to the credit of the Company in any duly authorized depositories as the board of directors may select.

ARTICLE VII - CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. The Board of Directors may determine to issue certificated or uncertificated shares of capital stock or other securities of the Company. For certificated stock, certificates representing shares of capital stock of the Company shall be in such form as shall be determined by the board of directors and approved by the FRB. Such certificates shall be signed by the chief executive officer or by any other officer of the Company authorized by the board of directors, attested by the secretary or an assistant secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar other than the Company itself or one of its employees. Each certificate for shares of capital stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Company. All certificates surrendered to the Company for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares has been surrendered and canceled, except that in the case of a lost or destroyed certificate, a new certificate may be issued upon such terms and indemnity to the Company as the board of directors may prescribe. Upon the issuance of uncertificated shares of capital stock, the Company and/or its transfer agent shall send the stockholder a written statement setting forth information with respect to the shares owned by the stockholder.

Section 2. Transfer of Shares. Transfer of shares of capital stock of the Company shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record or by his or her legal representative, who shall furnish proper evidence of such authority, or by his or her attorney authorized by a duly executed power of attorney and filed with the Company. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the Company shall be deemed by the Company to be the owner for all purposes.

ARTICLE VIII - FISCAL YEAR

The fiscal year of the Company shall end on the 31st day of December of each year. The appointment of accountants shall be subject to annual ratification by the shareholders.

ARTICLE IX - DIVIDENDS

Subject to the terms of the Company's charter and the regulations and orders of the FRB, the board of directors may, from time to time, declare, and the Company may pay, dividends on its outstanding shares of capital stock.

ARTICLE X - CORPORATE SEAL

The board of directors shall provide a Company seal, which shall be two concentric circles between which shall be the name of the Company. The year of incorporation or an emblem may appear in the center.

ARTICLE XI - AMENDMENTS

These bylaws may be amended in a manner consistent with regulations of the FRB and shall be effective after: (i) approval of the amendment by a majority vote of the authorized board of directors, or by a majority vote of the votes cast by the shareholders of the Company at any legal meeting, and (ii) receipt of any applicable regulatory approval. When a Company fails to meet its quorum requirements solely due to vacancies on the board, then the affirmative vote of a majority of the sitting board will be required to amend the bylaws.

ARTICLE XII - INDEMNIFICATION

The Company shall indemnify its personnel, including directors, officers and employees, to the fullest extent authorized by applicable law and regulations, as the same exists or may hereafter be amended; provided, any indemnification by the Company of the Company's personnel is subject to any applicable rules or regulations of the FRB.

ARTICLE XIII - RELIANCE UPON BOOKS, REPORTS AND RECORDS

Each director, each member of any committee designated by the board of directors, and each officer of the Company shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Company and upon such information, opinions, reports or statements presented to the Company by any of its officers or employees, or committees of the board of directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

EXHIBIT C
Charter and Bylaws of the MHC

PONCE BANK MUTUAL HOLDING COMPANY
FEDERAL MUTUAL HOLDING COMPANY CHARTER

Section 1. Corporate title. The name of the mutual holding company is Ponce Bank Mutual Holding Company (the “Mutual Holding Company”).

Section 2. Home Office. The home office of the Mutual Holding Company shall be located in Bronx County, New York.

Section 3. Duration. The duration of the Mutual Holding Company is perpetual.

Section 4. Purpose and powers. The purpose of the Mutual Holding Company is to pursue any or all of the lawful objectives of a federal mutual savings and loan holding company chartered under section 10(o) of the Home Owners’ Loan Act, 12 U.S.C. 1467a(o), and to exercise all of the express, implied, and incidental powers conferred thereby and all acts amendatory thereof and supplemental thereto, subject to the Constitution and the laws of the United States as they are now in effect, or as they may hereafter be amended, and subject to all lawful and applicable rules, regulations, and orders of the Federal Reserve Board (the “FRB”).

Section 5. Capital. The Mutual Holding Company shall have no capital stock.

Section 6. Section 6: Members. All holders of the savings, demand, or other authorized accounts of Ponce Bank (the “Savings Bank”) are members of the Mutual Holding Company. With respect to all questions requiring action by the members of the Mutual Holding Company, each holder of an account in the Savings Bank shall be permitted to cast one vote for each \$100, or fraction thereof, of the withdrawal value of the member’s account. In addition, borrowers from the Savings Bank as of April 11, 1985 shall be entitled to one vote for the period of time during which such borrowings are in existence. No member, however, shall cast more than one thousand votes. All accounts shall be nonassessable.

Section 7. Directors. The Mutual Holding Company shall be under the direction of a board of directors. The authorized number of directors shall not be fewer than five nor more than fifteen, as fixed in the Mutual Holding Company’s bylaws, except that the number of directors may be decreased to a number less than five or increased to a number greater than fifteen with the prior approval of the FRB.

Section 8. Capital, surplus, and distribution of earnings. The Mutual Holding Company shall distribute net earnings to account holders of the Savings Bank on such basis and in accordance with such terms and conditions as may from time to time be authorized by the FRB, provided that the Mutual Holding Company may establish minimum account balance requirements for account holders to be eligible for distributions of earnings.

All holders of accounts of the Savings Bank shall be entitled to equal distribution of the assets of the Mutual Holding Company, pro rata to the value of their accounts in the Savings Bank, in the event of voluntary or involuntary liquidation, dissolution, or winding up of the Mutual Holding Company.

Section 9. Amendment. Adoption of any pre-approved charter amendment shall be effective after such pre-approved amendment has been approved by the members by the affirmative vote of a majority of the total votes of the members of the Mutual Holding Company eligible to be cast at a legal meeting. Any other amendment, addition, change, or repeal of this charter must be approved by the FRB prior to approval by the members at a legal meeting and shall be effective upon filing with the FRB in accordance with regulatory procedures.

Section 10. Vote Required to Approve a Plan of Conversion and Reorganization and related Stock Issuance Plan. Any plan of conversion and reorganization and related stock issuance plan of the Mutual Holding Company or Savings Bank, and its affiliates, providing for the issuance of securities pursuant to subscription right, shall be approved by the affirmative vote of at least two-thirds (2/3) of the total votes cast by the members of the Mutual Holding Company.

PONCE BANK MUTUAL HOLDING COMPANY

ATTEST: _____
Lissette Martinez
Corporate Secretary

BY: _____
Carlos Naudon
President

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BY: _____
Secretary of Board of Governors of the Federal Reserve System

Effective Date: _____

PONCE BANK MUTUAL HOLDING COMPANY

BYLAWS

Section 1. Annual meeting of members. The annual meeting of the members of Ponce Bank Mutual Holding Company (the “Mutual Holding Company”) for the election of directors and for the transaction of any other business of the Mutual Holding Company shall be held, as designated by the board of directors, at a location within the state that constitutes the principal place of business of the Mutual Holding Company, or at any other convenient place the board of directors may designate, on the third Wednesday in April of each year, if not a legal holiday, or if a legal holiday then on the next succeeding day not a legal holiday. The annual meeting may be held at such other date and time as the board of directors may determine. At each annual meeting, the officers shall make a full report of the financial condition of the Mutual Holding Company and of its progress for the preceding year and shall outline a program for the succeeding year.

Section 2. Special meetings of members. Special meetings of the members of the Mutual Holding Company may be called at any time by the president or the board of directors and shall be called by the president, a vice president, or the secretary upon the written request of members of record, holding in the aggregate at least one-tenth of the voting capital of the Mutual Holding Company. Such written request shall state the purpose of the meeting and shall be delivered at the principal place of business of the Mutual Holding Company addressed to the president. For purposes of this section, “voting capital” means FDIC-insured deposits as of the voting record date. Annual and special meetings shall be conducted in accordance with written procedures agreed to by the board of directors.

Section 3. Notice of meeting of members. Notice of each meeting shall be either published once a week for the two successive calendar weeks (in each instance on any day of the week) immediately prior to the week in which such meeting shall convene, in a newspaper printed in the English language and of general circulation in the city or county in which the principal place of business of the Mutual Holding Company is located, or mailed postage prepaid at least 15 days and not more than 45 days prior to the date on which such meeting shall convene, to each of its members of record at the last address appearing on the books of the Mutual Holding Company. Such notice shall state the name of the Mutual Holding Company, the place of the meeting, the date and time when it shall convene, and the matters to be considered. A similar notice shall be posted in a conspicuous place in each of the offices of the Mutual Holding Company during the 14 days immediately preceding the date on which such meeting shall convene. If any member, in person or by authorized attorney, shall waive in writing notice of any meeting of members, notice thereof need not be given to such member. When any meeting is adjourned for 30 days or more, notice of the adjournment and reconvening of the meeting shall be given as in the case of the original meeting.

Section 4. Fixing of record date. For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof, or in order to make a determination of members for any other proper purpose, the board of directors shall fix in

advance a record date for any such determination of members. Such date shall be not more than 60 days nor fewer than 10 days prior to the date on which the action, requiring such determination of members, is to be taken. The member entitled to participate in any such action shall be the member of record on the books of the Mutual Holding Company on such record date. The number of votes which each member shall be entitled to cast at any meeting of the members shall be determined from the books of the Mutual Holding Company as of such record date. Any member of such record date who ceases to be a member prior to such meeting shall not be entitled to vote at that meeting. The same determination shall apply to any adjourned meeting.

Section 5. Member quorum. Any number of members present and voting, represented in person or by proxy, at a regular or special meeting of the members shall constitute a quorum. A majority of all votes cast at any meeting of the members shall determine any question, unless otherwise required by regulation or Section 10 of the Mutual Holding Company's Charter. Directors, however, are elected by a plurality of the votes cast at an election of directors. At any adjourned meeting any business may be transacted which might have been transacted at the meeting as originally called. Members present at a duly constituted meeting may continue to transact business until adjournment.

Section 6. Voting by proxy. Voting at any annual or special meeting of the members may be by proxy pursuant to the rules and regulations of the Board of Governors of the Federal Reserve System (the "FRB"), provided, that no proxies shall be voted at any meeting unless such proxies shall have been placed on file with the secretary of the Mutual Holding Company, for verification, prior to the convening of such meeting. Proxies may be given telephonically or electronically as long as the holder uses a procedure for verifying the identity of the member. All proxies with a term greater than eleven months or solicited at the expense of the Mutual Holding Company must run to the board of directors as a whole, or to a committee appointed by a majority of such board. Accounts held by an administrator, executor, guardian, conservator or receiver may be voted in person or by proxy by such person. Accounts held by a trustee may be voted by such trustee either in person or by proxy, in accordance with the terms of the trust agreement, but no trustee shall be entitled to vote accounts without a transfer of such accounts into the trustee name. Accounts held in trust in an IRA or Keogh Account, however, may be voted by the Mutual Holding Company if no other instructions are received. Joint accounts shall be entitled to no more than 1000 votes, and any owner may cast all the votes unless the Mutual Holding Company has otherwise been notified in writing.

Section 7. Communication between members. Communication between members shall be subject to any applicable rules or regulations of the FRB. No member, however, shall have the right to inspect or copy any portion of any books or records of the Mutual Holding Company containing: (i) a list of depositors in or borrowers from such Mutual Holding Company; (ii) their addresses; (iii) individual deposit or loan balances or records; or (iv) any data from which such information could reasonably be constructed.

Section 8. Number of directors, membership. The number of directors of the Mutual Holding Company shall be seven (7). Each director shall be a member of the Mutual Holding Company. The board of directors shall be divided into three classes as nearly equal in number as possible. The members of each class shall be elected for terms of three (3) years and until their successors are elected and qualified. One class shall be elected annually.

Section 9. Meetings of the board. The board of directors shall meet regularly without notice at the principal place of business of the Mutual Holding Company at least once per month at an hour and date fixed by resolution of the board, provided that the place of meeting may be changed by the directors. Special meetings of the board may be held at any place specified in a notice of such meeting and shall be called by the secretary upon the written request of the chairman or of three directors. All special meetings shall be held upon at least 24 hours written notice to each director unless notice is waived in writing before or after such meeting. Such notice shall state the place, date, time, and purposes of such meeting. A majority of the authorized directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board. Action may be taken without a meeting if unanimous written consent is obtained for such action. The board may also permit telephonic participation at meetings. The meetings shall be under the direction of a chairman, appointed annually by the board, or in the absence of the chairman, the meetings shall be under the direction of the vice chairman, if any, or the president.

Section 10. Officers, employees, and agents. Annually at the meeting of the board of directors of the Mutual Holding Company following the annual meeting of the members of the Mutual Holding Company, the board shall elect a president, one or more vice presidents, a secretary, and a treasurer or comptroller; provided, that the offices of president and secretary may not be held by the same person and a vice president may also be the treasurer or comptroller. The board may appoint such additional officers, employees, and agents as it may from time to time determine. The term of office of all officers shall be one year or until their respective successors are elected and qualified. Any officer may be removed at any time by the board with or without cause, but such removal, other than for cause, shall be without prejudice to the contractual rights, if any, of the person so removed. In the absence of designation from time to time of powers and duties by the board, the officers shall have such powers and duties as generally pertain to their respective offices. The Mutual Holding Company shall indemnify its personnel, including directors, officers and employees, to the fullest extent authorized by applicable law or regulation, as the same exists or may hereafter be amended; provided, any indemnification by the Mutual Holding Company of the Mutual Holding Company's personnel is subject to any applicable rules or regulations of the FRB.

Section 11. Vacancies, resignation or removal of directors. Members of the Mutual Holding Company shall elect directors by ballot; provided, that in the event of a vacancy on the board between meetings of members, the board of directors may, by their affirmative vote, fill such vacancy, even if the remaining directors constitute less than a quorum. A director elected to fill a vacancy shall be elected to serve only until the next election of directors by the members. Any director may resign at any time by sending a written notice of such resignation to the Mutual Holding Company delivered to the secretary. Unless otherwise specified therein such resignation shall take effect upon receipt by the secretary. More than three consecutive absences from regular meetings of the board, unless excused by resolution of the board, shall automatically constitute a resignation, effective when such resignation is accepted by the board. At a meeting of members called expressly for that purpose, directors or the entire board may be removed, only with cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.

Section 12. Powers of the board. The board of directors shall have the power:

- (a) By resolution, to appoint from among its members and remove an executive committee, which committee shall have and may exercise the powers of the board between the meetings of the board, but no such committee shall have the authority of the board to amend the charter or bylaws, adopt a plan of merger, consolidation, dissolution, or provide for the disposition of all or substantially all the property and assets of the Mutual Holding Company. Such committee shall not operate to relieve the board, or any member thereof, of any responsibility imposed by law;
- (b) To appoint and remove by resolution the members of such other committees as may be deemed necessary and prescribe the duties thereof;
- (c) To fix the compensation of directors, officers, and employees; and to remove any officer or employee at any time with or without cause;
- (d) To limit payments on capital which may be accepted; and
- (e) To exercise any and all of the powers of the Mutual Holding Company not expressly reserved by the charter to the members.

Section 13. Execution of instruments, generally. All documents and instruments or writings of any nature shall be signed, executed, verified, acknowledged, and delivered by such officers, agents, or employees of the Mutual Holding Company or any one of them and in such manner as from time to time may be determined by resolution of the board. All notes, drafts, acceptances, checks, endorsements, and all evidences of indebtedness of the Mutual Holding Company whatsoever shall be signed by such officer or officers or such agent or agents of the Mutual Holding Company and in such manner as the board may from time to time determine. Endorsements for deposit to the credit of the Mutual Holding Company in any of its duly authorized depositories shall be made in such manner as the board may from time to time determine. Proxies to vote with respect to shares or accounts of other mutual holding companies or stock of other corporations owned by, or standing in the name of, the Mutual Holding Company may be executed and delivered from time to time on behalf of the Mutual Holding Company by the president or a vice president and the secretary or an assistant secretary of the Mutual Holding Company or by any other persons so authorized by the board.

Section 14. Nominating committee. The chairman, at least 30 days prior to the date of each annual meeting, shall appoint a nominating committee of three individuals who are members of the Mutual Holding Company. Such committee shall make nominations for directors in writing and deliver to the secretary such written nominations at least 15 days prior to the date of the annual meeting, which nominations shall then be posted in a prominent place in the principal place of business for the 15-day period prior to the date of the annual meeting, except in the case of a nominee substituted as a result of death or other incapacity. Provided such committee is appointed and makes such nominations, no nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by members are made in writing and delivered to the secretary of the Mutual

Holding Company at least 10 days prior to the date of the annual meeting, which nominations shall then be posted in a prominent place in the principal place of business for the 10-day period prior to the date of the annual meeting, except in the case of a nominee substituted as a result of death or other incapacity. Ballots bearing the names of all individuals nominated by the nominating committee and by other members prior to the annual meeting shall be provided for use by the members at the annual meeting. If at any time the chairman shall fail to appoint such nominating committee, or the nominating committee shall fail or refuse to act at least 15 days prior to the annual meeting, nominations for directors may be made at the annual meeting by any member and shall be voted upon.

Section 15. New business. Any new business to be taken up at the annual meeting, including any proposal to increase or decrease the number of directors of the Mutual Holding Company, shall be stated in writing and filed with the secretary of the Mutual Holding Company at least 30 days before the date of the annual meeting, and all business so stated, proposed, and filed shall be considered at the annual meeting; but no other proposal shall be acted upon at the annual meeting. Any member may make any other proposal at the annual meeting and the same may be discussed and considered; but unless stated in writing and filed with the secretary 30 days before the meeting, such proposal shall be laid over for action at an adjourned, special, or regular meeting of the members taking place at least 30 days thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of the reports of officers and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

Section 16. Seal. The seal shall be two concentric circles between which shall be the name of the Mutual Holding Company. The year of incorporation, the word "Incorporated" or an emblem may appear in the center.

Section 17. Amendment. Adoption of any bylaw amendment pursuant to § 239.15 of the FRB's regulations, as long as consistent with applicable law, rules and regulations, and which adequately addresses the subject and purpose of the stated bylaw section, shall be effective after (i) approval of the amendment by a majority vote of the authorized board, or by a vote of the members of the Mutual Holding Company at a legal meeting; and (ii) receipt of any applicable regulatory approval. When the Mutual Holding Company fails to meet its quorum requirement solely due to vacancies on the board, the bylaws may be amended by an affirmative vote of a majority of the sitting board.

Section 18. Age limitations. No person not serving as a director at the time of the initial adoption of the Bylaws may serve as a director of the Mutual Holding Company after attaining the age of ninety (90). Otherwise, no person may serve as a director of the Mutual Holding Company after attaining the age of seventy-five (75). This age limitation does not apply to a director emeritus.

Section 19. Emeritus Directors. Emeritus directors may be appointed and their compensation for services (in an amount not to exceed those fees paid to voting directors) determined by resolution of the board of directors of the Mutual Holding Company. Only former directors of the Mutual Holding Company or Ponce Bank (including former directors of other savings and loan associations or savings banks that have been merged with, or otherwise

acquired by the Mutual Holding Company or its subsidiaries) shall be eligible to serve as emeritus directors. Emeritus directors shall be available for consultation with and advice to the management of the Mutual Holding Company. Emeritus directors may attend meetings of the board of directors, at the discretion of the board of directors, but shall have no vote on any matter acted upon by such board.

PONCE BANK MUTUAL HOLDING COMPANY
FEDERAL MUTUAL HOLDING COMPANY CHARTER

Section 1. Corporate title. The name of the mutual holding company is Ponce Bank Mutual Holding Company (the “Mutual Holding Company”).

Section 2. Home Office. The home office of the Mutual Holding Company shall be located in Bronx County, New York.

Section 3. Duration. The duration of the Mutual Holding Company is perpetual.

Section 4. Purpose and powers. The purpose of the Mutual Holding Company is to pursue any or all of the lawful objectives of a federal mutual savings and loan holding company chartered under section 10(o) of the Home Owners’ Loan Act, 12 U.S.C. 1467a(o), and to exercise all of the express, implied, and incidental powers conferred thereby and all acts amendatory thereof and supplemental thereto, subject to the Constitution and the laws of the United States as they are now in effect, or as they may hereafter be amended, and subject to all lawful and applicable rules, regulations, and orders of the Federal Reserve Board (the “FRB”).

Section 5. Capital. The Mutual Holding Company shall have no capital stock.

Section 6. Section 6: Members. All holders of the savings, demand, or other authorized accounts of Ponce Bank (the “Savings Bank”) are members of the Mutual Holding Company. With respect to all questions requiring action by the members of the Mutual Holding Company, each holder of an account in the Savings Bank shall be permitted to cast one vote for each \$100, or fraction thereof, of the withdrawal value of the member’s account. In addition,

borrowers from the Savings Bank as of April 11, 1985 shall be entitled to one vote for the period of time during which such borrowings are in existence. No member, however, shall cast more than one thousand votes. All accounts shall be nonassessable.

Section 7. Directors. The Mutual Holding Company shall be under the direction of a board of directors. The authorized number of directors shall not be fewer than five nor more than fifteen, as fixed in the Mutual Holding Company's bylaws, except that the number of directors may be decreased to a number less than five or increased to a number greater than fifteen with the prior approval of the FRB.

Section 8. Capital, surplus, and distribution of earnings. The Mutual Holding Company shall distribute net earnings to account holders of the Savings Bank on such basis and in accordance with such terms and conditions as may from time to time be authorized by the FRB, provided that the Mutual Holding Company may establish minimum account balance requirements for account holders to be eligible for distributions of earnings.

All holders of accounts of the Savings Bank shall be entitled to equal distribution of the assets of the Mutual Holding Company, pro rata to the value of their accounts in the Savings Bank, in the event of voluntary or involuntary liquidation, dissolution, or winding up of the Mutual Holding Company.

Section 9. Amendment. Adoption of any pre-approved charter amendment shall be effective after such pre-approved amendment has been approved by the members by the affirmative vote of a majority of the total votes of the members of the Mutual Holding Company eligible to be cast at a legal meeting. Any other amendment, addition, change, or repeal of this charter must be approved by the FRB prior to approval by the members at a legal meeting and shall be effective upon filing with the FRB in accordance with regulatory procedures.

Section 10. Vote Required to Approve a Plan of Conversion and Reorganization and related Stock Issuance Plan. Any plan of conversion and reorganization and related stock issuance plan of the Mutual Holding Company or Savings Bank, and its affiliates, providing for the issuance of securities pursuant to subscription right, shall be approved by the affirmative vote of at least two-thirds (2/3) of the total votes cast by the members of the Mutual Holding Company.

PONCE BANK MUTUAL HOLDING COMPANY

ATTEST: _____
Lissette Martinez
Corporate Secretary

BY: _____
Carlos Naudon
President

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE
SYSTEM**

BY: _____
Secretary of Board of Governors of the Federal Reserve
System

Effective Date: _____

PONCE BANK MUTUAL HOLDING COMPANY

BYLAWS

Section 1. Annual meeting of members. The annual meeting of the members of Ponce Bank Mutual Holding Company (the “Mutual Holding Company”) for the election of directors and for the transaction of any other business of the Mutual Holding Company shall be held, as designated by the board of directors, at a location within the state that constitutes the principal place of business of the Mutual Holding Company, or at any other convenient place the board of directors may designate, on the third Wednesday in April of each year, if not a legal holiday, or if a legal holiday then on the next succeeding day not a legal holiday. The annual meeting may be held at such other date and time as the board of directors may determine. At each annual meeting, the officers shall make a full report of the financial condition of the Mutual Holding Company and of its progress for the preceding year and shall outline a program for the succeeding year.

Section 2. Special meetings of members. Special meetings of the members of the Mutual Holding Company may be called at any time by the president or the board of directors and shall be called by the president, a vice president, or the secretary upon the written request of members of record, holding in the aggregate at least one-tenth of the voting capital of the Mutual Holding Company. Such written request shall state the purpose of the meeting and shall be delivered at the principal place of business of the Mutual Holding Company addressed to the president. For purposes of this section, “voting capital” means FDIC-insured deposits as of the voting record date. Annual and special meetings shall be conducted in accordance with written procedures agreed to by the board of directors.

Section 3. Notice of meeting of members. Notice of each meeting shall be either published once a week for the two successive calendar weeks (in each instance on any day of the week) immediately prior to the week in which such meeting shall convene, in a newspaper printed in the English language and of general circulation in the city or county in which the principal place of business of the Mutual Holding Company is located, or mailed postage prepaid at least 15 days and not more than 45 days prior to the date on which such meeting shall convene, to each of its members of record at the last address appearing on the books of the Mutual Holding Company. Such notice shall state the name of the Mutual Holding Company, the place of the meeting, the date and time when it shall convene, and the matters to be considered. A similar notice shall be posted in a conspicuous place in each of the offices of the Mutual Holding Company during the 14 days immediately preceding the date on which such meeting shall convene. If any member, in person or by authorized attorney, shall waive in writing notice of any meeting of members, notice thereof need not be given to such member. When any meeting is adjourned for 30 days or more, notice of the adjournment and reconvening of the meeting shall be given as in the case of the original meeting.

Section 4. Fixing of record date. For the purpose of determining members entitled to notice of or to vote at any meeting of members or any adjournment thereof, or in order to make a determination of members for any other proper purpose, the board of directors shall fix in

advance a record date for any such determination of members. Such date shall be not more than 60 days nor fewer than 10 days prior to the date on which the action, requiring such determination of members, is to be taken. The member entitled to participate in any such action shall be the member of record on the books of the Mutual Holding Company on such record date. The number of votes which each member shall be entitled to cast at any meeting of the members shall be determined from the books of the Mutual Holding Company as of such record date. Any member of such record date who ceases to be a member prior to such meeting shall not be entitled to vote at that meeting. The same determination shall apply to any adjourned meeting.

Section 5. Member quorum. Any number of members present and voting, represented in person or by proxy, at a regular or special meeting of the members shall constitute a quorum. A majority of all votes cast at any meeting of the members shall determine any question, unless otherwise required by regulation or Section 10 of the Mutual Holding Company's Charter. Directors, however, are elected by a plurality of the votes cast at an election of directors. At any adjourned meeting any business may be transacted which might have been transacted at the meeting as originally called. Members present at a duly constituted meeting may continue to transact business until adjournment.

Section 6. Voting by proxy. Voting at any annual or special meeting of the members may be by proxy pursuant to the rules and regulations of the Board of Governors of the Federal Reserve System (the "FRB"), provided, that no proxies shall be voted at any meeting unless such proxies shall have been placed on file with the secretary of the Mutual Holding Company, for verification, prior to the convening of such meeting. Proxies may be given telephonically or electronically as long as the holder uses a procedure for verifying the identity of the member. All proxies with a term greater than eleven months or solicited at the expense of the Mutual Holding Company must run to the board of directors as a whole, or to a committee appointed by a majority of such board. Accounts held by an administrator, executor, guardian, conservator or receiver may be voted in person or by proxy by such person. Accounts held by a trustee may be voted by such trustee either in person or by proxy, in accordance with the terms of the trust agreement, but no trustee shall be entitled to vote accounts without a transfer of such accounts into the trustee name. Accounts held in trust in an IRA or Keogh Account, however, may be voted by the Mutual Holding Company if no other instructions are received. Joint accounts shall be entitled to no more than 1000 votes, and any owner may cast all the votes unless the Mutual Holding Company has otherwise been notified in writing.

Section 7. Communication between members. Communication between members shall be subject to any applicable rules or regulations of the FRB. No member, however, shall have the right to inspect or copy any portion of any books or records of the Mutual Holding Company containing: (i) a list of depositors in or borrowers from such Mutual Holding Company; (ii) their addresses; (iii) individual deposit or loan balances or records; or (iv) any data from which such information could reasonably be constructed.

Section 8. Number of directors, membership. The number of directors of the Mutual Holding Company shall be seven (7). Each director shall be a member of the Mutual Holding Company. The board of directors shall be divided into three classes as nearly equal in number as possible. The members of each class shall be elected for terms of three (3) years and until their successors are elected and qualified. One class shall be elected annually.

Section 9. Meetings of the board. The board of directors shall meet regularly without notice at the principal place of business of the Mutual Holding Company at least once per month at an hour and date fixed by resolution of the board, provided that the place of meeting may be changed by the directors. Special meetings of the board may be held at any place specified in a notice of such meeting and shall be called by the secretary upon the written request of the chairman or of three directors. All special meetings shall be held upon at least 24 hours written notice to each director unless notice is waived in writing before or after such meeting. Such notice shall state the place, date, time, and purposes of such meeting. A majority of the authorized directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board. Action may be taken without a meeting if unanimous written consent is obtained for such action. The board may also permit telephonic participation at meetings. The meetings shall be under the direction of a chairman, appointed annually by the board, or in the absence of the chairman, the meetings shall be under the direction of the vice chairman, if any, or the president.

Section 10. Officers, employees, and agents. Annually at the meeting of the board of directors of the Mutual Holding Company following the annual meeting of the members of the Mutual Holding Company, the board shall elect a president, one or more vice presidents, a secretary, and a treasurer or comptroller; provided, that the offices of president and secretary may not be held by the same person and a vice president may also be the treasurer or comptroller. The board may appoint such additional officers, employees, and agents as it may from time to time determine. The term of office of all officers shall be one year or until their respective successors are elected and qualified. Any officer may be removed at any time by the board with or without cause, but such removal, other than for cause, shall be without prejudice to the contractual rights, if any, of the person so removed. In the absence of designation from time to time of powers and duties by the board, the officers shall have such powers and duties as generally pertain to their respective offices. The Mutual Holding Company shall indemnify its personnel, including directors, officers and employees, to the fullest extent authorized by applicable law or regulation, as the same exists or may hereafter be amended; provided, any indemnification by the Mutual Holding Company of the Mutual Holding Company's personnel is subject to any applicable rules or regulations of the FRB.

Section 11. Vacancies, resignation or removal of directors. Members of the Mutual Holding Company shall elect directors by ballot; provided, that in the event of a vacancy on the board between meetings of members, the board of directors may, by their affirmative vote, fill such vacancy, even if the remaining directors constitute less than a quorum. A director elected to fill a vacancy shall be elected to serve only until the next election of directors by the members. Any director may resign at any time by sending a written notice of such resignation to the Mutual Holding Company delivered to the secretary. Unless otherwise specified therein such resignation shall take effect upon receipt by the secretary. More than three consecutive absences from regular meetings of the board, unless excused by resolution of the board, shall automatically constitute a resignation, effective when such resignation is accepted by the board. At a meeting of members called expressly for that purpose, directors or the entire board may be removed, only with cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.

Section 12. Powers of the board. The board of directors shall have the power:

- (a) By resolution, to appoint from among its members and remove an executive committee, which committee shall have and may exercise the powers of the board between the meetings of the board, but no such committee shall have the authority of the board to amend the charter or bylaws, adopt a plan of merger, consolidation, dissolution, or provide for the disposition of all or substantially all the property and assets of the Mutual Holding Company. Such committee shall not operate to relieve the board, or any member thereof, of any responsibility imposed by law;
- (b) To appoint and remove by resolution the members of such other committees as may be deemed necessary and prescribe the duties thereof;
- (c) To fix the compensation of directors, officers, and employees; and to remove any officer or employee at any time with or without cause;
- (d) To limit payments on capital which may be accepted; and
- (e) To exercise any and all of the powers of the Mutual Holding Company not expressly reserved by the charter to the members.

Section 13. Execution of instruments, generally. All documents and instruments or writings of any nature shall be signed, executed, verified, acknowledged, and delivered by such officers, agents, or employees of the Mutual Holding Company or any one of them and in such manner as from time to time may be determined by resolution of the board. All notes, drafts, acceptances, checks, endorsements, and all evidences of indebtedness of the Mutual Holding Company whatsoever shall be signed by such officer or officers or such agent or agents of the Mutual Holding Company and in such manner as the board may from time to time determine. Endorsements for deposit to the credit of the Mutual Holding Company in any of its duly authorized depositories shall be made in such manner as the board may from time to time determine. Proxies to vote with respect to shares or accounts of other mutual holding companies or stock of other corporations owned by, or standing in the name of, the Mutual Holding Company may be executed and delivered from time to time on behalf of the Mutual Holding Company by the president or a vice president and the secretary or an assistant secretary of the Mutual Holding Company or by any other persons so authorized by the board.

Section 14. Nominating committee. The chairman, at least 30 days prior to the date of each annual meeting, shall appoint a nominating committee of three individuals who are members of the Mutual Holding Company. Such committee shall make nominations for directors in writing and deliver to the secretary such written nominations at least 15 days prior to the date of the annual meeting, which nominations shall then be posted in a prominent place in the principal place of business for the 15-day period prior to the date of the annual meeting, except in the case of a nominee substituted as a result of death or other incapacity. Provided such committee is appointed and makes such nominations, no nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by members are made in writing and delivered to the secretary of the Mutual

Holding Company at least 10 days prior to the date of the annual meeting, which nominations shall then be posted in a prominent place in the principal place of business for the 10-day period prior to the date of the annual meeting, except in the case of a nominee substituted as a result of death or other incapacity. Ballots bearing the names of all individuals nominated by the nominating committee and by other members prior to the annual meeting shall be provided for use by the members at the annual meeting. If at any time the chairman shall fail to appoint such nominating committee, or the nominating committee shall fail or refuse to act at least 15 days prior to the annual meeting, nominations for directors may be made at the annual meeting by any member and shall be voted upon.

Section 15. New business. Any new business to be taken up at the annual meeting, including any proposal to increase or decrease the number of directors of the Mutual Holding Company, shall be stated in writing and filed with the secretary of the Mutual Holding Company at least 30 days before the date of the annual meeting, and all business so stated, proposed, and filed shall be considered at the annual meeting; but no other proposal shall be acted upon at the annual meeting. Any member may make any other proposal at the annual meeting and the same may be discussed and considered; but unless stated in writing and filed with the secretary 30 days before the meeting, such proposal shall be laid over for action at an adjourned, special, or regular meeting of the members taking place at least 30 days thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of the reports of officers and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

Section 16. Seal. The seal shall be two concentric circles between which shall be the name of the Mutual Holding Company. The year of incorporation, the word "Incorporated" or an emblem may appear in the center.

Section 17. Amendment. Adoption of any bylaw amendment pursuant to § 239.15 of the FRB's regulations, as long as consistent with applicable law, rules and regulations, and which adequately addresses the subject and purpose of the stated bylaw section, shall be effective after (i) approval of the amendment by a majority vote of the authorized board, or by a vote of the members of the Mutual Holding Company at a legal meeting; and (ii) receipt of any applicable regulatory approval. When the Mutual Holding Company fails to meet its quorum requirement solely due to vacancies on the board, the bylaws may be amended by an affirmative vote of a majority of the sitting board.

Section 18. Age limitations. No person not serving as a director at the time of the initial adoption of the Bylaws may serve as a director of the Mutual Holding Company after attaining the age of ninety (90). Otherwise, no person may serve as a director of the Mutual Holding Company after attaining the age of seventy-five (75). This age limitation does not apply to a director emeritus.

Section 19. Emeritus Directors. Emeritus directors may be appointed and their compensation for services (in an amount not to exceed those fees paid to voting directors) determined by resolution of the board of directors of the Mutual Holding Company. Only former directors of the Mutual Holding Company or Ponce Bank (including former directors of other savings and loan associations or savings banks that have been merged with, or otherwise

acquired by the Mutual Holding Company or its subsidiaries) shall be eligible to serve as emeritus directors. Emeritus directors shall be available for consultation with and advice to the management of the Mutual Holding Company. Emeritus directors may attend meetings of the board of directors, at the discretion of the board of directors, but shall have no vote on any matter acted upon by such board.

INCORPORATED UNDER THE LAWS OF THE UNITED STATES OF AMERICA

No.

Shares

PDL COMMUNITY BANCORP
Bronx, New York

FULLY PAID AND NON-ASSESSABLE
PAR VALUE \$0.01 PER SHARE

THIS CERTIFIES that

is the owner of

SHARES OF COMMON STOCK OF

PDL COMMUNITY BANCORP
a federally chartered subsidiary savings and loan holding company

The shares evidenced by this certificate are transferable only on the books of PDL Community Bancorp by the holder hereof, in person or by attorney, upon surrender of this certificate properly endorsed.

The interest in PDL Community Bancorp evidenced by this certificate may not be retired or withdrawn except as provided in the Charter and Bylaws of PDL Community Bancorp.

IN WITNESS WHEREOF, PDL Community Bancorp has caused this certificate to be executed by its duly authorized officers and has caused its seal to be hereunto affixed this day of , 2017.

LISSETTE MARTINEZ
CORPORATE SECRETARY

By _____
CARLOS P. NAUDON
PRESIDENT AND CHIEF EXECUTIVE OFFICER

The shares of common stock evidenced by this certificate are subject to a limitation contained in the PDL Community Bancorp's Charter to the effect that, for a period of five years from the date of the reorganization from mutual to stock form of Ponce De Leon Federal Bank, no person other than PDL Community Bancorp shall directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of any equity security of PDL Community Bancorp. This limitation shall not apply to the purchase of shares by underwriters in connection with a public offering or certain purchases of shares by a tax-qualified employee stock benefit plan or a subsidiary of PDL Community Bancorp and any trustee of such a plan or arrangement. In addition, during this five-year period, all shares owned over the 10% limit may not be voted in any matter submitted to stockholders for a vote.

For value received, _____ hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER

(please print or typewrite name and address including postal zip code of assignee)

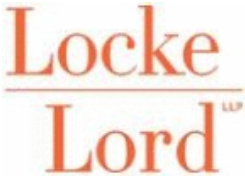
Shares of the Common Stock represented by the within Certificate, and does hereby irrevocably constitute and appoint _____ Attorney to transfer the said shares on the books of the within-named corporation with full power of substitution in the premises.

Dated, _____

In the presence of

Signature:

NOTE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME OF THE STOCKHOLDER(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATSOEVER.



701 8th Street, N.W., Suite 700
Washington, DC 20001
Telephone: 202-220-6900
Fax: 202-220-6945
www.lockelord.com

April 10, 2017

Board of Directors
PDL Community Bancorp
2244 Westchester Avenue
Bronx, New York 10462

Re: PDL Community Bancorp
Common Stock, Par Value \$0.01 Per Share

Members of the Board:

You have requested the opinion of this firm as to certain matters in connection with the offer and sale (the "Offering") of shares of common stock, par value \$0.01 per share ("Common Stock"), of PDL Community Bancorp (the "Company"). We have reviewed the Company's proposed Charter, Registration Statement on Form S-1 (the "Form S-1"), as well as applicable statutes and regulations governing the Company and the offer and sale of the shares of Common Stock.

We are of the opinion that upon the declaration of effectiveness of the Form S-1, the incorporation of the Company and the due adoption by the Board of Directors of the Company (or authorized committee thereof) of a resolution fixing the number of shares of Common Stock to be sold in the Offering, the shares of Common Stock, when issued and sold in the manner described in the Form S-1, will be validly issued, fully paid and non-assessable.

We hereby consent to our firm being referenced under the caption "Legal and Tax Matters" and to the filing of this opinion as an exhibit to the Form S-1.

Very truly yours,

/s/ Locke Lord LLP

Locke Lord LLP

Atlanta | Austin | Boston | Chicago | Cincinnati | Dallas | Hartford | Hong Kong | Houston | London | Los Angeles | Miami
Morristown | New Orleans | New York | Providence | Sacramento | San Francisco | Stamford | Washington DC | West Palm Beach

**Ponce Bank
Employee Stock Ownership Plan
(Effective [], 2017)**

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Ponce Bank Employee Stock Ownership Plan

WHEREAS, Ponce De Leon Federal Bank, a federally chartered bank (the "Bank"), has adopted the "Ponce De Leon Federal Bank Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan" (the "Plan of Reorganization") pursuant to which the Bank will reorganize into the mutual holding company structure;

WHEREAS, as part of the Plan of Reorganization, the Bank will transfer its assets and liabilities to a de novo federally chartered stock savings bank, named "Ponce Bank," that will upon completion of the transactions contemplated by the Plan of Reorganization be wholly owned by PDL Community Bancorp, a to-be-formed federal corporation ("Bancorp");

WHEREAS, pursuant to the Plan of Reorganization, Bancorp will issue no less than 50.1% of its to-be-outstanding shares of common stock to Ponce Bank Mutual Holding Company, a federally-chartered mutual holding company that will be formed pursuant to the Plan of Reorganization, and offer for sale to certain depositors and borrowers and others up to 49.9% of its to-be-outstanding shares of common stock; and

WHEREAS, in connection with the Plan of Reorganization the Bank wishes to recognize the contribution being made to the successful operation of its business by its employees and desires to reward such contribution by establishing an employee stock ownership plan for its employees, the employees of its participating affiliated entities as hereinafter defined and their respective successors, who are or shall hereafter become eligible as participants under the plan enacted hereunder, which such plan will be invested primarily in shares of common stock of Bancorp.

NOW, THEREFORE, in consideration of the foregoing, the Bank hereby adopts this Ponce Bank Employee Stock Ownership Plan (the "Plan") effective as of _____, 2017.

ARTICLE I
INTRODUCTION

The Plan is intended to be an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Internal Revenue Code of 1986, as amended, and is designed to invest primarily in Company Stock (as defined herein), which meets the requirements for qualifying employer securities under Code section 409(l). The purchase of Company Stock for the Plan may be made with the proceeds of exempt loans meeting the requirements of Section 54.4975-7(b) of the Treasury Regulations (including any amendments thereto) and Section 2550.408(b)-3 of the Department of Labor Regulations (including any amendments thereto), employer contributions, dividends on qualified employer securities or a combination thereof.

ARTICLE II
DEFINITIONS

The following initially capitalized words and phrases when used in the Plan shall have the following meanings, unless the context clearly requires otherwise.

2.1 Account means the bookkeeping account established for each Participant which reflects the value of the Participant's interest in the Plan. This Account shall include a Company Stock Account, which reflects the number of shares of Company Stock allocated to the Participant and an Investment Account which reflects other investments allocated to the Participant.

2.2 Administrative Committee and Committee, used interchangeably, means the named fiduciary of the Plan, which is appointed by the Board of Directors, as is more fully described in Article XII. In the event the Board of Directors does not appoint an Administrative Committee, Administrative Committee means the Board of Directors.

2.3 Affiliate means the Bank and any corporation which is a member of a controlled group of corporations (as defined in Code section 414(b)) which includes the Bank; any trade or business (whether or not incorporated) which is under common control (as defined in Code section 414(c)) with the Bank; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Code section 414(m)) which includes the Bank; and any other entity required to be aggregated with the Bank pursuant to regulations under Code section 414(o).

2.4 Bancorp means PDL Community Bancorp, a savings and loan holding company, which is the parent company of the Bank.

2.5 Bank means Ponce De Leon Federal Bank and any Affiliate which adopts this Plan with the approval of the Board of Directors of the Bank and any successor to the business of the Bank that agrees to assume the Bank's obligations under the Plan. The Bank also means "Ponce Bank," a federally chartered savings bank, after its formation pursuant to the Plan of Reorganization.

2.6 Beneficiary means the individual(s) or entities entitled to receive the Participant's benefits under the Plan in the event of the Participant's death prior to receiving all benefits payable under the Plan.

2.7 Board of Directors means the Board of Directors of the Bank as constituted from time to time.

2.8 Break in Service means a Plan Year during which an Employee (a) has terminated employment or is no longer employed with the Bank or an Affiliate, and (b) fails to complete more than 500 Hours of Service.

2.9 Change in Control means an event involving Bancorp or the Bank that: (i) would be required to be reported in response to Item 5.01 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); or (ii) results in a Change in Control of Bancorp within the meaning of the Bank Holding Company Act of 1956, as amended, or the Change in Bank Control Act and the Rules and Regulations of the Board of Governors of the Federal Reserve System ("FRS") promulgated pursuant thereto (provided, that in applying the definition of change in control as set forth under the Rules and Regulations of the FRS, the Board shall substitute its judgment for that of the FRS); or (iii) results in a Change in Control of the Bank within the meaning of the

Home Owners' Loan Act, as amended, the Federal Deposit Insurance Act, or the Rules and Regulations promulgated by the Office of the Comptroller of the Currency (the "OCC"), as in effect on the date hereof (provided, that in applying the definition of change in control as set forth under the rules and regulations of the OCC, the Board shall substitute its judgment for that of the OCC); or (iv) without limitation such a Change in Control shall be deemed to have occurred at such time as:

- (a) any "person" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of voting securities of Bancorp representing 25% or more of Bancorp's outstanding voting securities or right to acquire such securities except for any voting securities purchased by any employee benefit plan of the Bank, by the Ponce De Leon Foundation or by Ponce Bank Mutual Holding Company;
- (b) individuals who constitute the Board of Bancorp or the Bank on the date hereof (each an "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by Bancorp's or the Bank's stockholders was approved by a Nominating Committee solely composed of members which are Incumbent Board members, shall be, for purposes of this clause (b), considered as though he were a member of the Incumbent Board;
- (c) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of Bancorp or the Bank or similar transaction occurs or is effectuated in which Bancorp or the Bank is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required federal regulatory approvals not including the lapse of any statutory waiting periods;
- (d) a proxy statement has been distributed soliciting proxies from stockholders of Bancorp, by someone other than the current management of Bancorp, seeking stockholder approval of a plan of reorganization, merger or consolidation of Bancorp with one or more companies as a result of which the outstanding shares of the class of securities then subject to such plan or transaction are exchanged for or converted into cash or property or securities not issued by Bancorp; or
- (e) a tender offer is made for 20% or more of the voting securities of Bancorp then outstanding.

In no event, however, shall a Change in Control be deemed to have occurred as a result of any acquisition of securities or assets of Bancorp or the Bank, by any employee benefit plan maintained by the Bank, by the Ponce De Leon Foundation, or by Ponce Bank Mutual Holding Company.

2.10 Code means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

2.11 Company Stock means shares of common stock issued by Bancorp that are readily tradable on an established securities market; provided, however, if Bancorp common stock is not readily tradable on an established securities market, Company Stock means common stock issued by Bancorp having a combination of voting power and dividend rates equal to or in excess of: (a) that class of common stock of Bancorp having the greatest voting power and (b) that class of common stock of Bancorp having the greatest dividend rights. Non-callable preferred stock shall be treated as Company Stock for purposes of the Plan if such stock is convertible at any time into stock that is readily tradable on an established securities market (or, if applicable, that meets the requirements of (a) and (b) next above) and if such conversion is at a conversion price that, as of the date of the acquisition by the Plan, is reasonable. For purposes of the immediately preceding sentence, preferred stock shall be treated as non-callable if, after the call, there will be a reasonable opportunity for a conversion that meets the requirements of the immediately preceding sentence. Company Stock shall be held under the Trust only if such stock satisfies the requirements of Section 407(d)(5) of ERISA.

2.12 Compensation means wages within the meaning of Code section 3401(a) and all other payments of compensation to a Participant by the Employer during a Plan Year for which the Employer is required to report on Form W-2. Compensation must be determined without regard to any rules under Code section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed. Compensation also includes any salary reduction contributions elected by a Participant which is not includible in the gross income of the Participant pursuant to any plan maintained by the Bank in accordance with Code sections 125, 132(f)(4), 402(e)(3), 402(h) or 403(b); but excluding bonuses, car allowances, marriage leave benefits, employee incentive payments, expense reimbursements, and retro pay.

Payments made within 2-1/2 months after severance from employment (within the meaning of Code section 401(k)(2)(B)(i)(I)) will be Compensation if they are payments that, absent a severance from employment, would have been paid to the Participant while the Participant continued in employment with the Employer and are regular compensation for services during the Participant's regular working hours, compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation, and payments for accrued bona fide sick, vacation or other leave, but only if the Participant would have been able to use the leave if employment had continued. Any payments not described above are not considered Compensation if paid after severance from employment, even if they are paid within 2-1/2 months following severance from employment, except for payments to an individual who does not currently perform services for the Employer by reason of qualified military service (within the meaning of Code section 414(u)(1)) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

Notwithstanding the foregoing, Compensation shall not include any amounts earned prior to becoming a Participant in the Plan.

The annual compensation for each Participant taken into account under the Plan shall not exceed \$270,000, as adjusted by the Internal Revenue Service at the same time and in the same manner as under Code section 415(d).

2.13 Disability means a medically determinable physical or mental impairment which is of such permanence and degree that it can be expected to result in death or that a Participant is unable, because of such impairment, to perform any substantial gainful activity for which the Participant is suited by virtue of such Participant's experience, training or education and which would entitle the Participant to benefits under the Employer's long-term disability plan, if any, or to Social Security disability benefits as evidenced by a disability award letter.

2.14 Disqualified Person means a person defined in Code section 4975(e), including but not limited to (i) a fiduciary of the Plan; (ii) a person providing services to the Plan; (iii) an owner of 50% or more of the combined voting power or value of all classes of stock of the Bank entitled to vote or the total value of shares of all classes of stock of the Bank and certain members of such owner's family; or (iv) an officer, director, 10% or greater shareholder or highly compensated employee (who earns 10% or more of the yearly wages) of the Bank.

2.15 Effective Date means [], 2017, which is the date on which the provisions of this Plan become effective.

2.16 Employee means an individual who is employed as a common law employee by the Bank or an Affiliate on a salaried or hourly basis and with respect to whom the Bank or the Affiliate is required to withhold taxes from remuneration paid to such Employee by the Bank or Affiliate for personal services rendered to the Bank, including any officer or director who shall so qualify. If an individual is not considered to be an Employee in accordance with the preceding sentence for a Plan Year, a subsequent determination by the Bank, any governmental agency or court that the individual is a common law employee of the Bank, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.17 Employer means the Bank.

2.18 Entry Date means January 1 and July 1 of each Plan Year.

2.19 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time, including any regulations promulgated thereunder.

2.20 Exempt Loan means the issuance of notes, a series of notes or other installment obligations incurred by the Trustee, in accordance with the Trust, in connection with the purchase of Company Stock, the terms of which shall satisfy the requirements of Treasury Regulations Section 54.4975-7(b), including the requirements: (a) that the loan bear a reasonable rate of interest, be for a definite period (rather than payable on demand), and be without recourse against the Plan, and (b) that the only assets of the Plan that may be given as collateral are shares of Common Stock purchased with the proceeds of that loan or with the proceeds of a prior Exempt Loan.

2.21 Highly Compensated Employee

- (a) **Highly Compensated Employee** means an Employee who performs service during the determination year and is described in one or more of the following groups:
 - (i) An Employee who is a 5% owner, as defined in Code section 416(i)(1)(A)(iii), at any time during the determination year or the look-back year.
 - (ii) An Employee who receives compensation in excess of \$115,000 (indexed in accordance with Code section 415(d)) during the look-back year and is a member of the top-paid group for the look-back year.
- (b) For purposes of the definition of Highly Compensated Employee, the following definitions and rules shall apply:
 - (i) The determination year is the Plan Year for which the determination of who is highly compensated is being made.
 - (ii) The look-back year is the 12-month period immediately preceding the determination year, or if the Employer elects, the calendar year ending with or within the determination year.
 - (iii) The top-paid group consists of the top 20% of employees ranked on the basis of compensation received during the year. For purposes of determining the number of employees in the top-paid group, employees described in Code section 414(q)(8) and Treasury Regulations Section 1.414(q)-1T Q&A 9(b) are excluded.
- (c) Compensation is compensation within the meaning of Code section 415(c)(3), plus, for purposes thereof, elective or salary reduction contributions to a cafeteria plan, cash or deferred arrangement under Code section 401(k) or tax-sheltered annuity under Code section 403(b), or made pursuant to Code section 132(f)(4). Employers aggregated under Code sections 414(b), (c), (m), or (o) are treated as a single employer.

2.22 Hours of Service means:

- (a) Performance of Duties. The actual hours for which an Employee is paid or entitled to be paid by the Bank for the performance of duties;
- (b) Nonworking Paid Time. Each hour for which an Employee is paid or entitled to be paid by the Bank on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, disability (to the extent not already included in Compensation), layoff, jury duty, military duty or leave of absence; provided, however, no more than 501 Hours of Service shall be credited to an Employee under this subsection for any single continuous period (whether or not

such period occurs in a single computation period); and provided further that no credit shall be given for payments made or due under a plan maintained solely for the purpose of complying with applicable worker's or unemployment compensation or disability insurance laws or for payments which solely reimburse an Employee for medical or medically related expenses incurred by the Employee; and

- (c) Maternity, Paternity and FMLA Leave. Solely for purposes of determining whether a one year Break in Service has occurred for purposes of determining eligibility to participate and vesting, each hour for which an Employee is absent from employment by reason of (i) pregnancy of the Employee, (ii) birth of a child of the Employee, (iii) placement of a child in connection with the adoption of the child by an individual, or (iv) caring for the child during the period immediately following the birth or placement for adoption. Hours of Service shall also, for these limited purposes, include each hour for which an Employee who has worked for the Bank or an Affiliate for at least 12 months and for at least 1,250 Hours of Service during the year preceding the start of the leave, is absent from employment on an unpaid family leave for up to 12 weeks, as provided for in the Family and Medical Leave Act of 1993 (the "FMLA Leave"), by reason of (A) the birth or adoption of a child, (B) the care of a spouse, child or parent with a serious health condition, or (C) the Employee's own serious health condition, provided that such an Employee provides the Bank with a 30-day advance notice if the leave is foreseeable, and/or medical certification satisfactory to support the Employee's request for leave because of a serious health condition. For purposes of determining whether an Employee's leave qualifies as a "FMLA Leave" in order to be credited with Hours of Service under this Plan, the Family and Medical Leave Act of 1993 ("FMLA") and the regulations promulgated thereunder shall apply. During the period of absence, the Employee shall be credited with the number of hours that would be generally credited but for such absence or if the general number of work hours is unknown, eight Hours of Service for each normal workday during the leave (whether or not approved). These hours shall be credited to the computation period in which the leave of absence commences if crediting of such hours is required to prevent the occurrence of a one year Break in Service in such computation period, and in other cases, in the immediately following computation period. The computation period shall be the same as the relevant period for determining eligibility computation periods and vesting computation periods. Unless otherwise required under the FMLA and the regulations promulgated thereunder, no more than 501 Hours of Service shall be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period).
- (d) Back Pay. Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Bank; provided, however, Hours of Service credited under paragraphs (a), (b) and (c) above shall not be recredited by operation of this paragraph.

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- (e) Equivalencies. The Administrative Committee shall have the authority to adopt any of the following equivalency methods for counting Hours of Service that are permissible under regulations issued by the Department of Labor: (i) Working Time; (ii) Periods of Employment; (iii) Earnings; or (iv) Elapsed Time. The adoption of any equivalency method for counting Hours of Service shall be evidenced by a certified resolution of the Committee, which shall be attached to and made part of the Plan. Such resolution shall indicate the date from which such equivalency shall be effective.
- (f) Miscellaneous. Unless the Administrative Committee directs otherwise, the methods of determining Hours of Service when payments are made for other than the performance of duties and of crediting such Hours of Service to Plan Years set forth in Department of Labor Regulations Sections 2530.200b-2(b) and (c), shall be used hereunder and are incorporated by reference into the Plan.

Participants on military leaves of absence who are not directly or indirectly compensated or entitled to be compensated by the Bank while on such leave shall be credited with Hours of Service as required by the Uniformed Services Employment and Reemployment Rights Act.

Notwithstanding any other provision of this Plan to the contrary, an Employee shall not be credited with Hours of Service more than once with respect to the same period of time.

2.23 Investment Manager means an investment advisor, bank or insurance company, meeting the requirements of ERISA Section 3(38), appointed by the Bank to manage the Plans assets in accordance with the Trust Agreement.

2.24 Leased Employee means any person who performs services for an Employer or an Affiliate (the "recipient") (other than an employee of the recipient) pursuant to an agreement between the recipient and any other person (the "leasing organization") on a substantially full-time basis for a period of at least one year, provided that such services are performed under primary direction of or control by the "recipient."

2.25 Normal Retirement Date means the first day of the calendar month coincident with or following the date on which a Participant attains age 65.

2.26 Participant means an Employee participating in the Plan in accordance with Article III.

2.27 Plan means the Ponce Bank Employee Stock Ownership Plan, as set forth in this document and in the Trust Agreement pursuant to which the Trust is maintained, in each case as amended from time to time.

2.28 Plan Year means the calendar year.

2.29 Suspense Account means the account established and maintained to hold Company Stock acquired with the proceeds of an Exempt Loan and held in the Trust, which Company Stock has not been allocated to the Accounts of Participants with respect to the year of such acquisition.

2.30 Trust or Trust Fund means all property held by the Trustee pursuant to the terms of the Trust Agreement and this Plan. Such property shall be held for the exclusive benefit of Participants and Beneficiaries.

2.31 Trust Agreement means the agreement of trust established by the Bank and the Trustee for purposes of holding title to the assets of the Plan.

2.32 Trustee means the trustee as named in the Trust Agreement, or a successor thereto or substitute therefor, in any case as appointed by the Board of Directors of the Bank in accordance with Article XII to hold legal title to the assets of the Trust and that expressly agrees to be bound by the terms and conditions of the Trust Agreement.

2.33 Valuation Date means the last business day of each calendar quarter, and such other more frequent dates as the Administrative Committee may from time to time establish.

2.34 Year of Service means a Plan Year during which a Participant is credited with at least 1,000 Hours of Service.

ARTICLE III ELIGIBILITY

3.1 Eligibility Generally. An Employee shall become a Participant in the Plan as of the first day of the Plan Year nearest to the later of (a) the first anniversary of his date of hire (the first day on which he completes an Hour of Service) or (b) the Employee's 21st birthday.

Notwithstanding the foregoing, the following individuals shall not be eligible to participate in the Plan:

- (a) Leased Employees;
- (b) Individuals whose employment with the Bank or an Affiliate is governed by a collective bargaining agreement between the Bank and representatives of the employee bargaining unit if evidence exists that retirement benefits were a subject of good faith bargaining between the parties, and provided such bargaining agreement does not provide for participation in this Plan; and
- (c) Non-resident aliens who do not receive earned income from sources within the United States.

3.2 Commencement of Participation. Each Employee who has satisfied the requirements of Section 3.1 of the Plan shall commence participation in the Plan on the later of the Effective Date or the Entry Date concurrent with or next following the date on which such requirements are satisfied.

3.3 Cessation of Participation. An Employee shall cease to be a Participant upon the earliest of (a) the date on which the Employee retires under the Plan; (b) the date on which the Employee's employment with the Bank terminates for any reason, including death or Disability; (c) the date on which the Employee's employment with the Bank is governed by a collective bargaining agreement that does not provide for participation in this Plan; or (d) the date on which the Employee becomes a "leased employee" as defined in Code section 414(n).

3.4 Participation upon Reemployment. Upon the reemployment of any person after the Effective Date who had previously been employed by the Bank on or after the Effective Date, the following rules shall apply in determining the Employee's participation in the Plan under the Plan:

- (a) No Prior Participation. If the reemployed Employee was not a Participant in the Plan during the prior period of employment and the reemployed Employee incurred a Break in Service, only Service with the Bank after reemployment will count for purposes of meeting the requirements of Section 3.1 of the Plan. If the reemployed Employee was not a Participant in the Plan during the prior period of employment and the reemployed Employee did not incur a Break in Service, all Service with the Bank (both before and after the Break in Service) will be aggregated for purposes of meeting the requirements of Section 3.1 of the Plan.
- (b) Prior Participation. If the reemployed Employee was a Participant in the Plan during the prior period of employment, the reemployed Employee shall be entitled to resume participation in the Plan on the date of the Employee's reemployment.
- (c) Veterans Reemployment Rights. Notwithstanding any other provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Code section 414(u).

3.5 Change in Control. Notwithstanding the provisions of this Article III or any other provisions of the Plan to the contrary, upon a Change in Control, no additional Employee shall be eligible to become a Participant in the Plan.

ARTICLE IV VESTING

4.1 In General. Each Participant shall have a vested interest in the Participant's Account, if any, in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
0-3 Years of Service	0%
3 or more Years of Service	100%

4.2 Normal Retirement Date. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant whose employment terminates on or after such Participant's Normal Retirement Date shall be 100% vested.

4.3 Death or Disability. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant whose employment is terminated on account of death or Disability shall be 100% vested.

- (a) Death while Performing Qualified Military Service. If a Participant dies while performing qualified military service for a period longer than thirty (30) days, such Participant's Beneficiary shall be eligible for any additional benefits (other than benefits accruals relating to the period of qualified military service) that would have been provided under the Plan if the Participant had resumed employment on the day prior to his death and then terminated employment due to death.

4.4 Vesting upon Reemployment. Upon the reemployment of any person after the Effective Date who had previously been employed by the Bank on or after the Effective Date, the following rules shall apply in determining the reemployed Employee's vesting in the Plan:

- (a) Five Consecutive Breaks in Service. If a Participant has five consecutive Breaks in Service, all Years of Service after such Breaks in Service will be disregarded for the purpose of vesting the Employer-derived Account balance that accrued before such Breaks in Service. Both pre-Break and post-Break service, however, will count for the purposes of vesting the Employer-derived Account balance that accrues after such Breaks in Service. Both Accounts will share in the earnings and losses of the fund.
- (b) Fewer than Five Consecutive Breaks in Service. If a Participant does not have five consecutive Breaks in Service, both the pre-Break and post-Break service will count in vesting all Account balances.

4.5 Forfeiture of Account. If prior to being 100% vested, a Participant terminates employment for a reason other than death, Disability or attainment of Normal Retirement Date, the nonvested portion will be treated as a forfeiture. Assets in the Participant's Account other than Company Stock acquired with the proceeds of an Exempt Loan will be forfeited before Company Stock acquired with the proceeds of an Exempt Loan are forfeited. Forfeitures shall be allocated to the Accounts of Participants who were employed by the Bank on the last day of the Plan Year or, in the Bank's discretion, used to pay Plan administrative expenses. Forfeitures allocated to Participants shall be allocated in the ratio that the Compensation of each Participant for such Plan Year bears to the total Compensation of all such Participants for such Plan Year. For purposes of this Section 4.5, if the value of a Participant's vested account balance is zero, the participant shall be deemed to have received a distribution of such vested account balance.

If any former Participant shall be reemployed by the Employer before incurring five consecutive Breaks in Service, and such former Participant had received, or was deemed to have received, a distribution of the Participant's entire vested interest prior to reemployment, the forfeited account shall be reinstated upon the reemployment of such Participant. In the event of a deemed distribution, the undistributed portion of the Participant's account must be restored in full, unadjusted by any gains or losses occurring subsequent to the Valuation Date coinciding with or next following the Participant's termination of employment. The source for such

reinstatement shall be any forfeitures occurring during the Plan Year. If such source is insufficient, then the Employer shall contribute an amount which is sufficient to restore any such forfeited account provided, however, that if a discretionary contribution is made for such Plan Year pursuant to Section 5.1, such contribution shall first be applied to restoring such accounts and the remainder shall be allocated in accordance with Section 5.5.

4.6 Change in Control. Notwithstanding the provisions of Section 4.1 of the Plan, a Participant shall be 100% vested upon a Change in Control.

ARTICLE V
CONTRIBUTIONS AND ALLOCATIONS

5.1 Bank Contributions. For each Plan Year, the Bank may contribute cash or shares of Company Stock, or both, to the Plan in such amounts as may be determined by the Board of Directors.

In the event shares of Company Stock are sold to the Trustee for a Plan Year, the fair market value of such Company Stock shall be determined in accordance with the provisions of Article VIII.

5.2 Time and Manner of Contributions. All Bank contributions shall be paid directly to the Trustee, and a contribution for any Plan Year shall be made not later than the date prescribed by law for filing the Bank's Federal income tax return (including extensions, if any) for the Bank's taxable year that ends within or with that Plan Year.

5.3 Employee Contributions. Participants are neither permitted nor required to make contributions to the Plan.

5.4 Recovery of Contributions. The Bank may recover contributions to the Plan, only as set forth in this Section 5.4.

- (a) Contributions made to the Plan shall be conditioned upon the initial and continuing qualification of the Plan. If the Plan is determined to be disqualified, contributions made in respect of any period subsequent to the effective date of such disqualification shall be returned to the Bank. With respect to the initial qualification of the Plan, the Bank may recover contributions only if (i) the Plan receives an adverse determination letter with respect to its initial qualification and (ii) the application for determination letter is filed within the applicable remedial amendment period that applies to new plans.
- (b) Contributions made to the Plan shall be conditioned upon their deductibility under the Code. To the extent that a deduction is disallowed for any contribution, such amount shall be returned to the Bank within one year after the disallowance of the deduction.
- (c) If a contribution, or any part thereof, is made on account of a mistake of fact, the amount of the contribution attributable to such mistake shall be returned to the Bank within one year after it is made.

5.5 Allocation of Employer Contributions. Subject to the limitations set forth in Article VI, Employer contributions made to the Trust in the form of cash or Company Stock for a Plan Year shall be allocated to the Accounts of Participants in the ratio of the Compensation of each Participant for the Plan Year to the total Compensation of all Participants for the Plan Year, provided that the Participant has completed 1,000 Hours of Service and is actively employed on the last date of the Plan Year.

5.6 Income on Investments. The income, gains, and losses attributable to investments under the Plan shall be allocated as of each Valuation Date or at such other times as the Administrative Committee may determine to the Accounts of Participants and Beneficiaries who have undistributed balances in their Accounts on the Valuation Date, in proportion to the amounts in the Accounts immediately after the preceding Valuation Date, but after first reducing each Account by any distributions, withdrawals or transfers from the Trust during the interim period and increasing each Account by any transfers to the Trust and by contributions made to the Trust during the interim period.

Distributions from the Plan shall include income, gains, and losses accrued as of the coincident or immediately preceding Valuation Date, and shall not be adjusted proportionately to reflect any income, gains, or losses accrued after that Valuation Date. All valuations shall be based on the fair market value of the assets in the Trust on the Valuation Date.

5.7 Certain Stock Transactions. Shares of Company Stock received by the Trustee as a result of a stock split, dividend, conversion, or as a result of a reorganization or other recapitalization of the Bank shall be allocated as of the day on which such shares are received by the Trustee in the same manner as the shares of Company Stock to which they are attributable are then allocated.

5.8 Valuation of Trust Fund. As of each Valuation Date, the Trustee shall determine the fair market value of the Trust, after deducting withdrawals, distributions, and any expenses of Plan administration paid out of the Trust, and including any contributions allocated to Participants' Accounts, for the valuation period ending on the Valuation Date. In determining value, the Trustee may use such generally accepted methods as the Trustee, in its discretion, deems advisable, which, in the case of Company Stock shall be in accordance with the provisions of Article VIII.

ARTICLE VI
MAXIMUM LIMITATION ON ALLOCATIONS

6.1 Participation Solely in This Plan.

- (a) If the Participant does not participate in, and has never participated in another plan qualified under Code section 401(a) that is maintained by the Employer, or a "welfare benefit fund" (as defined in Code section 419(e)) maintained by the

Employer, or an “individual medical account” (as defined in Code section 415(l)(2)) maintained by the Employer, which provides an Annual Addition, the amount of Annual Additions which may be credited to the Participant’s Account for any Limitation Year shall not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in the Plan. If the Bank’s contribution that would otherwise be contributed or allocated to the Participant’s Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount contributed or allocated will be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Permissible Amount.

- (b) Prior to determining the Participant’s actual Compensation for the Limitation Year, the Bank may determine the Maximum Permissible Amount for a Participant on the basis of a reasonable estimation of the Participant’s Compensation for the Limitation Year, uniformly determined for all Participants similarly situated.
- (c) As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year will be determined on the basis of the Participant’s actual Compensation for the Limitation Year.

6.2 Participation in Another Defined Contribution Plan. This Section 6.2 applies if a Participant is also covered under another defined contribution plan or a “welfare benefit fund” (as defined in Code section 419(e)), an “individual medical account” (as defined in Code section 415(l)(2)) or a “simplified employee pension” (as defined in Code section 408(k)) maintained by the Employer which provides an Annual Addition during any Limitation Year. If the Participant participates in one or more such plans, all reductions in Annual Additions shall be made under such plans and not under this Plan. In the event that, notwithstanding the preceding sentence, the Annual Additions to be credited under this Plan should exceed the Maximum Permissible Amount, the Annual Additions which would otherwise be credited to the Participant’s Account under any other such plan shall be reduced prior to making any reduction hereunder, which reduction shall be reduced in the manner set forth in Section 6.1 of the Plan.

6.3 Definitions. The following definitions apply solely for purposes of this Article VI.

- (a) An “Annual Addition” means the sum of the following amounts credited to a Participant’s Account for the Limitation Year:
 - (i) employer contributions
 - (ii) employee contributions
 - (iii) forfeitures
 - (iv) amounts allocated to an individual medical account (as defined in Code section 415(l)(2)) which is part of a pension or annuity plan maintained by the Employer which are treated as Annual Additions to a defined contribution plan, and

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- (v) amounts derived from contributions paid or accrued, which are attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Code section 419A(d)(3), under a welfare benefit fund maintained by the Employer which are treated as Annual Additions to a defined contribution plan.
 - (vi) Excess amounts applied to reduce Employer contributions under Sections 6.2 or 6.1 of the Plan in the Limitation Year will be Annual Additions for such Limitation Year.
 - (b) "Employer" means the Bank and all members of a controlled group of corporations (as defined in Code section 414(b) and modified by Code section 415(h)) all commonly controlled trades or businesses (as defined in Code section 414(c) as modified by Code section 415(h)), any affiliated service group (as defined in Code section 414(m)) of which the Bank is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code section 414(o).
 - (c) "Excess Amount" means the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.
 - (d) Limitation Year means the calendar year.
 - (e) "Maximum Permissible Amount" means the Maximum Annual Additions that may be contributed or allocated to a Participant's Account for any Limitation Year. Such amount shall not exceed the lesser of:
 - (i) \$54,000 (as adjusted for increases in the cost-of-living under Code section 415(d)), or
 - (ii) 100% of the Participant's Compensation for the Limitation Year.

The Maximum Permissible Amount shall be pro-rated in the case of any Limitation Year of less than 12 months created by the changing of the Limitation Year.

If no more than one-third of Bank contributions to the Plan for a Plan Year which are deductible under Code section 404(a)(9) are allocated to the Accounts of Participants who are Highly Compensated Employees, there shall be excluded in determining the Maximum Permissible Amount of each Participant for such Plan Year (A) the contributions applied to the payment of interest on an Exempt Loan; and (B) any forfeitures of Bank contributions if the forfeited contributions were Company Stock acquired with the proceeds of an Exempt Loan.

ARTICLE VII
INVESTMENT OF TRUST ASSETS

All assets of the Plan shall be held in the Trust. To the extent the Trustee deems practical, the Trustee shall use all available cash, as directed by the Administrative Committee, to purchase Company Stock in open market transactions, from other stockholders or to buy newly issued Company Stock from the Bank. If the purchase is from the Bank or a Disqualified Person, such purchase shall be for adequate consideration and no commission is to be charged with respect to the purchase. If no such stock is available for purchase, or if the Trustee determines that the purchase of such additional stock is not practical, the Trustee shall invest in other securities or property, real or personal, consistent with the requirements of Title I of ERISA. These other securities, property and cash shall be held by the Trustee in the Trust. The Trust income shall be allocated as of each Valuation Date to Participants' Investment Accounts in accordance with Section 5.6 of the Plan.

ARTICLE VIII
COMPANY STOCK VALUATION

The fair market value of Company Stock shall be determined, on any relevant day, as follows: (a) if such stock is then traded in the over-the-counter market, the closing sale price (as reported in the National Market System by NASDAQ with respect to such stock) for the most recent date (including such relevant day) during which a trade in such stock has occurred, or (b) if such stock is then traded on a national securities exchange, the closing sale price for the most recent date (including such relevant date) during which a trade in such stock has occurred. In accordance with the provisions of Code section 401(a)(28)(C), if Company Stock is not actively traded in the over-the-counter market, or on a national securities exchange, a valuation of Company Stock required to be made under this Plan shall be made by an independent appraiser who satisfies requirements similar to those contained in regulations issued under Code section 170(a)(1).

ARTICLE IX
DISTRIBUTIONS

9.1 Termination of Employment. In the event of the Participant's termination of employment for any reason (including attainment of Normal Retirement Date or on account of death), a Participant shall be entitled to a distribution of all amounts determined under Article IV that are credited to the Participant's Account at the times set forth in this Article IX.

9.2 Death. Upon the death of a Participant, all amounts credited to the Participant's Account shall be distributed to the Participant's Beneficiary, determined in accordance with this Section 9.2.

- (a) The Administrative Committee may require such proof of death and such other evidence of the right of any person to receive payment of the Account of a deceased Participant as the Administrative Committee deems necessary. The Administrative Committee's determination of death and of the right of any person to receive payment shall be conclusive and binding on all parties.

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- (b) The Beneficiary upon the death of a Participant shall be the Participant's spouse; provided, however, that the Participant may designate, on a form provided by the Administrative Committee for such purpose, a Beneficiary other than the Participant's spouse, if:
- (i) the spouse has waived the right to be the Participant's Beneficiary in the manner set forth in subsection (c) of this Section 9.2; or
 - (ii) the Participant has established to the satisfaction of the Administrative Committee that the Participant has no spouse or that the spouse cannot be located.
- (c) Any consent by a Participant's spouse to waive a death benefit must be filed with the Administrative Committee in writing, in a manner, and on a form provided by the Committee for such purpose. The spouse's consent must acknowledge the effect of the consent and must be witnessed by a notary public or a Plan representative. The designation of a Beneficiary other than the spouse made by a married Participant must be consented to by the Participant's spouse and may be revoked by the Participant in writing without the consent of the spouse. Any new beneficiary designation must comply with the requirements of this subsection (c). A former spouse's waiver shall not be binding on a new spouse.
- (d) In the event the designated Beneficiary fails to survive the Participant, or if such designation shall be ineffective for any reason, the Participant's Account shall be paid in the following order of priority: first to the Participant's surviving spouse, if any; second, if there is no surviving spouse, to the Participant's surviving children, if any, in equal shares; third, if there is neither a surviving spouse nor surviving children, to the legal representatives of the estate of the Participant.

9.3 Time of Payment. The distribution of a Participant's Account shall begin as soon as administratively feasible. Unless a Participant elects otherwise, such distribution shall not be later than 60 days after the latest of the close of the Plan Year in which occurs (i) the date on which the Participant attains Normal Retirement Date, (ii) the 10th anniversary of the year in which the Participant commenced participation in the Plan, or (iii) the date the Participant terminates service with the Employer.

9.4 Manner of Making Payments. A Participant's Account will be distributed in one lump sum.

9.5 Form of Payment. Distributions of a Participant's Account balance shall be made in Company Stock. In the event the Participant's Account includes securities acquired with the proceeds of the Exempt Loan and such proceeds consist of more than one class of securities, the amount distributed shall include substantially the same proportion of each class of securities acquired with the proceeds of the Exempt Loan.

Such distributions shall be the fair market value of each share multiplied by the number of shares credited to the Participant's Account, with appropriate adjustments to reflect intervening stock dividends, stock splits, stock redemptions, or similar changes to the number of

outstanding shares. The fair market value of a share shall be determined as of the Valuation Date coinciding with or immediately following the date of the distribution request or, in the case of a transaction between the Plan and a Disqualified Person, determined as of the date of the transaction.

9.6 Direct Rollover.

- (a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Article IX, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.
- (b) For purposes of this Section 9.6, the following definitions apply:
 - (i) "Eligible rollover distribution." An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code section 401(a)(9); a distribution on account of hardship; or the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities) and any other distribution(s) that is reasonably expected to total less than \$200 during a year.
 - (ii) "Eligible retirement plan." An eligible retirement plan is an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state, or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an annuity plan described in Code section 403(a), an annuity contract described in Code section 403(b), a qualified plan described in Code section 401(a), or a Roth IRA described in Code section 408A, that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p).
 - (iii) "Distributee." A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the

employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p), are distributees with respect to the interest of the spouse or former spouse. A distributee also includes the Participant's nonspouse designated Beneficiary, in which case, the direct rollover may be made only to an individual retirement account or annuity described in Code sections 408(a) or 408(b) that is established on behalf of the designated Beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Code section 402(c)(11); provided, however, that the determination of any required minimum distribution that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q&A 17 and 18.

- (iv) "Direct rollover." A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

9.7 Diversification Election. Notwithstanding any provision of this Article to the contrary, a Participant who has attained age 55 and completed at least ten years of participation in this Plan may elect in writing, on a form provided by the Administrative Committee for such purpose, within 90 days after the close of each Plan Year during the Qualified Election Period, to receive a distribution equal to a portion of the Participant's interest in the Company Stock Account not in excess of 25% of such interest, less amounts subject to all prior elections under this Section 9.7. Any such distribution will be made in cash or Company Stock, at the election of the Participant. Upon a Participant's election to diversify a portion of the Participant's interest in the Company Stock Account, Company Stock in an amount equal to the portion so elected, valued as of the Valuation Date concurrent with or immediately following the date of such election will be distributed to the Participant. Starting from the sixth Plan Year during the Qualified Election Period of a Participant, 50% shall be substituted for 25% in the preceding sentence.

For purposes of this Section 9.7, Qualified Election Period means, with respect to a Participant, the period beginning with the later of (a) the Plan Year in which the Participant attains age 55 or (b) the Plan Year in which the Participant completes at least ten years of participation in the Plan and ending with the year in which the Participant terminates employment for any reason.

9.8 Election to Retain Interests in Plan. Except for distributions in accordance with Section 9.7, no distribution shall be made to a Participant before such Participant's Normal Retirement Date unless (a) the Participant's prior written consent to the distribution has been obtained by the Administrative Committee, or (b) the value of the Participant's vested Account does not exceed \$1,000 as of the date of the event giving rise to the distribution.

9.9 Mandatory Distributions.

- (a) Notwithstanding any provision of this Plan to the contrary, all amounts credited to a Participant's Account shall commence to be distributed not later than the later of (i) April 1 of the calendar year following the calendar year in which the

Participant attains age 70-1/2 or (ii) the date the Participant retires; except that distributions to a 5% owner (as defined in Code section 416) must commence by the April 1 of the calendar year following the calendar year in which such Participant attains age 70-1/2. Any and all subsequent distributions shall be made in accordance with the rules set forth in Code section 401(a)(9), including the minimum distribution incidental death requirements of Code section 401(a)(9)(G).

- (b) In the event the Participant dies after distributions have commenced under this Article IX but before the Participant's entire Account is distributed, the remaining portion of the Participant's Account shall be distributed at least as rapidly as under the method of distribution being used as of the date of the Participant's death.
- (c) In the event the Participant dies before distributions under this Article IX have commenced, then, unless the Beneficiary of the Participant is the Participant's spouse, the entire balance in the Account of the Participant shall be distributed on or before the December 31 of the calendar year in which occurs the fifth anniversary of the death of such Participant.
- (d) If the Participant's designated Beneficiary is the surviving spouse of such Participant or former Participant, such distribution shall not be required to begin prior to the date on which the Participant or former Participant would have attained age 70-1/2 (if the surviving spouse dies prior to commencement of distributions to such spouse, then this subsection (i) shall be applied as if the surviving spouse were the Participant or former Participant).

Any amount payable to a child pursuant to the death of a Participant or former Participant shall be treated as if it were payable to the Participant's or former Participant's surviving spouse if such amount would become payable to the surviving spouse upon such child reaching majority (or other designated event permitted by regulations).

Any distribution required under the incidental death benefit requirements of Code section 401(a)(9) shall be treated as a distribution required under this Section of 9.9.

9.10 Dividend Distributions.

- (a) Any cash dividends on Company Stock acquired with the proceeds of an Exempt Loan and held in the Suspense Account shall be applied first to repay the principal and, at the Committee's discretion, the interest, of the Exempt Loan. In addition, if any cash dividends on shares of such Company Stock allocated to Participant's Accounts are used to pay the principal and/or the interest of the Exempt Loan at the Committee's discretion, Company Stock with a fair market value not less than the amount of the dividends so used must be allocated to the Participant's Accounts to which such cash dividends would have been allocated.
- (b) After the payment of the principal and the interest of the Exempt Loan, any remaining cash dividends on Company Stock may be used to purchase Company Stock or allocated to Accounts of Participants in accordance with subsection (c) below.
- (c) In the case of any cash dividends on Company Stock that are allocable to the Accounts of Participants with respect to vested shares, they may be paid currently (or within 90 days after the end of the Plan Year in which the dividends are paid to the Trust) as cash, or the Bank may pay such dividends directly to the Participants' Accounts as the Administrative Committee may determine.

9.11 Prohibited Allocations.

- (a) No portion of the assets of the Plan attributable to (or allocable in lieu of) Company Stock acquired by the Plan in a sale to which Code section 1042 applies may be allocated to the Account of (i) any Qualifying Selling Shareholder during the Nonallocation Period, or (ii) any other person who owns more than 25% of (A) any class of outstanding stock of the Bank or any of its Affiliates, or (B) the total value of any class of outstanding stock of the Bank or any of its Affiliates.
- (b) For purposes of this Section 9.11, the following initially capitalized words shall carry the following meanings:
 - (i) “Affiliate” means Affiliate as defined in Section 2.3 of the Plan, modified in accordance with Code section 409(1)(4).
 - (ii) “Qualifying Selling Shareholder” means any shareholder of Company Stock who makes an election under Code section 1042(a) with respect to Company Stock, or any individual who is related to (within the meaning of Code section 267(b)) the shareholder of Company Stock as defined above. The term shall not include any lineal descendant of such shareholder or if the aggregate amount allocated to the benefit of all such lineal descendants during the Nonallocation Period does not exceed more than 5% of Company Stock (or amounts allocated in lieu thereof) held by the Plan which are attributable to a sale to the Plan by any person related to such descendants (within the meaning of Code section 267(c)(4)) in a transaction to which Code section 1042 applied.
 - (iii) “Nonallocation Period” means the period beginning on the date of the sale of Company Stock and ending on the later of the date which is 10 years after the date of the sale, or the date of the Plan allocation attributable to the final payment of acquisition indebtedness incurred in connection with such sale.

ARTICLE X
RIGHT TO SELL COMPANY STOCK

10.1 Put Requirements.

- (a) In the event Company Stock is distributed and is not publicly traded in the over-the-counter market or on a national securities exchange at the time of distribution, the Participant, former Participant, or Beneficiary shall have an option (the "Put") to require the Bank to purchase all of the shares actually distributed to such individual. The Put may be exercised at any time during the Option Period (as defined in subsection (f) below) by giving the Administrative Committee and the Bank written notice of the election to exercise the Put. The Put may be exercised by a former Participant or a Beneficiary only during the Option Period with respect to which the former Participant or Beneficiary receives a distribution of Company Stock.
- (b) The price paid for Company Stock sold to the Plan or the Bank pursuant to the Put shall be the fair market value of each share multiplied by the number of shares to be sold under the Put, with appropriate adjustments to reflect intervening stock dividends, stock splits, stock redemptions, or similar changes to the number of outstanding shares. The fair market value of a share shall be determined (A) as of the Valuation Date concurrent with or immediately preceding the date the Put is exercised, or (B) in the case of a transaction between the Plan and a Disqualified Person, determined as of the date of the transaction.
- (c) If the distribution of Company Stock to a former Participant or Beneficiary constituted a distribution within one taxable year of the balance of the Participant's Account, the Bank reserves the right to establish guidelines to be exercised in a uniform and nondiscriminatory manner, to make payment for the shares subject to the Put on an installment basis in substantially equal annual, quarterly or monthly payments over a period not to exceed five years, such period beginning no later than 30 days after exercise of the Put. The Bank shall pay reasonable interest at least annually on the unpaid balance of the price and shall provide to the former Participant or Beneficiary adequate security with respect to the unpaid balance. If the distribution was part of an installment distribution, the Bank shall pay the Participant in cash within 30 days after exercise of the Put.
- (d) The Put shall not be assignable, except that the Participant's or former Participant's legal representative (in the event of a Participant's incapacity) or, the Participant's Beneficiary (in the event of a Participant's or former Participant's death) shall be entitled to exercise the Put during the Option Period for which it is applicable.
- (e) The Trustee (on behalf of the Plan) in its discretion, may assume the Bank's obligations under this Section at the time a Participant, former Participant, or Beneficiary exercises the Put, with the Bank's consent. If the Trustee assumes the Bank's obligations, the provisions of this Section that apply to the Bank shall also apply to the Trustee.

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- (f) The Administrative Committee shall notify each Participant, former Participant, and Beneficiary who is eligible to exercise the Put of the fair market value of each share of Company Stock as soon as practicable following its determination. The Administrative Committee shall send all notices required under this Section to the last known address of a Participant, former Participant, or Beneficiary, and it shall be the duty of those persons to inform the Administrative Committee of any changes in address.
 - (g) For purposes of this Section, the "Option Period" is the period of 60 days following the day on which a Participant, former Participant, or Beneficiary receives a distribution. If such person does not exercise the Put during that 60-day period, the Option Period shall also be the 60-day period beginning on the first anniversary of the day on which such person received a distribution. Notwithstanding the preceding sentences, when Company Stock is acquired with the proceeds of an Exempt Loan, the Option Period shall be the 15-month period beginning on the date such Company Stock is distributed to a Participant (or the Participant's Beneficiary). Such 15-month period shall be extended by a period equal to the number of days, if any, during which the Bank is precluded from honoring the put option by reason of applicable federal or state law.

ARTICLE XI
VOTING AND TENDER OF COMPANY STOCK

11.1 Voting.

- (a) Except as otherwise provided in subsection (b), the Trustee is hereby authorized to vote upon the Company Stock and any other securities comprising the Trust or otherwise consent to or request any action on the part of the issuer of such securities, and to give general and special proxies or powers of attorney, with or without power of substitution, and to participate in reorganizations, recapitalizations, consolidations, mergers and similar transactions with respect to such securities; to deposit such securities (if any) in a voting trust, or with any protective or like committee, or with a Trustee, or with depositories designated thereby; and generally to exercise any of the powers of an owner with respect to such securities which the Trustee deems to be for the best interest of the Trust to exercise.
- (b) Each Participant shall have the power to instruct the Trustee as to how the Company Stock (including any fractional shares) held in his Account should be voted at all stockholders' meetings. The Trustee shall vote such Company Stock in accordance with such instructions. To facilitate such right, the Trustee, with the assistance of the Committee, shall deliver to each Participant a copy of all proxies, notices and other information which Bancorp distributes to its shareholders generally and the Committee shall establish such procedures for the

collection of Participants' instructions in the voting of such Company Stock and the timely transmission of such instructions to the Trustee as it shall determine to be appropriate. Any such Company Stock with respect to which voting instructions have been sought but have not been timely received by the Trustee shall not be voted by the Trustee. Any Company Stock with respect to which the Trustee has the power to vote but which has not been allocated to the accounts of any Participant shall be voted by the Trustee in the same proportion as the Trustee is directed to vote the Company Stock with respect to which instructions have been received up to 24 hours before the commencement of the shareholders' meeting. In the event no shares have been allocated, the Trustee shall vote all shares of unallocated Company Stock as directed by the Committee. Participants do not acquire ownership of Company Stock held by the Trustee for their account unless and until the Trustee delivers to them Company Stock certificates which have been registered in their names on the books of Bancorp.

11.2 Tender Offer or Exchange Offer. In the event of a tender offer or exchange offer by any person (including the Bank or Bancorp) for any or all shares of Company Stock held in the Trust, each Participant shall have the right and shall be afforded the opportunity to direct in writing whether the Company Stock (including any fractional shares) allocable to his Account shall be tendered or exchanged in response to such offer. The Trustee shall act with respect to such Company Stock in accordance with such written instructions. Any Company Stock held by the Trustee which is not yet allocable to any Participant's Account and Dividend Account and any Company Stock with respect to which written instructions have been sought but have not been timely received by the Trustee shall be tendered or exchanged in the same proportion as the Company Stock which is allocable to the Participants' Accounts and Dividend Accounts and with respect to which written instructions have been timely received is being tendered or exchanged. To facilitate the foregoing right of the Participants, the Committee shall distribute or cause to be distributed to each Participant substantially the same information as may be distributed to Bancorp's stockholders in connection with such offer and the Committee shall establish such procedures for the collection of Participants' instructions with respect to such Company Stock and the timely transmission of such instructions to the Trustee as it shall determine to be appropriate.

11.3 Fiduciary Responsibilities. Each Participant shall be a "named fiduciary", within the meaning of ERISA Section 402(a), with respect to the voting and tender of Company Stock pursuant to this Article.

11.4 Confidentiality. Voting instructions received from Participants and Beneficiaries shall be held in confidence by the Trustee or its delegate for this purpose and shall not be divulged to the Bank or to any officer or employee of the Bank or to any other person.

ARTICLE XII ADMINISTRATION

12.1 Fiduciary Responsibilities. A fiduciary shall have only those specific powers, duties, responsibilities and obligations as are specifically given to such person under the Plan or the Trust. The Bank shall have sole responsibility to make the contributions provided for under

the Plan and, by action of the Board of Directors, to amend or terminate, in whole or in part, the Plan or the Trust. The Board of Directors shall have sole responsibility to appoint and remove members of the Administrative Committee and the Trustees of the Plan. The Administrative Committee shall have sole responsibility for the general administration of this Plan and for the investment policies of the Plan, for the selection of the Plan's investment funds pursuant to the Plan, and for the appointment and removal of any Investment Manager. Subject to the provisions of the Plan and the Trust Agreement, the Trustee shall have sole responsibility for the administration of the Trust and the management of the assets held in the Trust, as set forth in the Plan and the Trust. It is intended that each fiduciary shall be responsible for the proper exercise of such fiduciary's own powers, duties, responsibilities, and obligations and, except as otherwise provided by law, shall not be responsible for any act or failure to act by another fiduciary. A fiduciary may serve in more than one fiduciary capacity with respect to the Plan. A fiduciary of the Plan who is also an Employee shall not be compensated in such individual's capacity as fiduciary.

12.2 The Administrative Committee. Any member of the Administrative Committee may resign with 60 days advance written notice to the Board of Directors. The Administrative Committee shall select a Chairman and a Secretary to keep records or to assist in the discharge of its responsibilities. The Administrative Committee shall have such duties and powers as are necessary to discharge its responsibilities under the Plan, including, but not limited to, the following:

- (a) To require any person to furnish such information as it requests for the purpose of the proper administration of the Plan;
- (b) To make and enforce such rules and regulations and prescribe the use of such forms as it deems necessary for the efficient administration of the Plan;
- (c) To construe and interpret the Plan, including the right to determine eligibility for participation, eligibility for payment, the amount of benefits payable, the timing of distributions and all other issues arising under the Plan as well as the right to remedy possible ambiguities, inconsistencies or omissions; provided, however, that all such interpretations and decisions shall be applied in a uniform manner to all similarly situated Participants and Beneficiaries;
- (d) To employ and rely upon such advisors (including attorneys, independent public accountants, investment advisors and enrolled actuaries) as it deems appropriate or helpful in connection with the operation and administration of the Plan;
- (e) To maintain complete records of the administration of the Plan;
- (f) To prepare and file with the appropriate governmental agencies such reports as required from time to time with respect to the Plan under ERISA, the Code, or other laws and regulations governing the administration of the Plan;
- (g) To furnish or disclose to Participants, Employees who may become Participants, and Beneficiaries information about the Plan and statements of accrued benefits under the Plan, in accordance with ERISA, the Code, or other laws and regulations governing the administration of the Plan;

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- (h) To delegate to one or more members of the Administrative Committee, or to persons other than Administrative Committee members, any authority, duty or responsibility pertaining to the administration or operation of the Plan; provided, however, that each such delegation shall be made by a written instrument authorized by the Administrative Committee and maintained with the records of the Plan. If any person other than an Employee is so designated, such person must acknowledge, in writing, acceptance of the duties and responsibilities delegated. All such instruments and acknowledgments shall be considered a part of the Plan;
 - (i) To determine, pursuant to procedures adopted by it, whether a state domestic relations order served upon the Plan is a "qualified domestic relations order" (as defined in Code section 414(p)); to place in escrow any benefits payable in the period during which the Administrative Committee determines the status of an order; and to take any necessary action to administer distributions under the terms of a qualified domestic relations order; and
 - (j) To discharge any responsibilities which are allocated to the Administrative Committee elsewhere in this Plan.

All decisions and interpretations of the Administrative Committee shall be binding and shall be entitled to the maximum deference permitted under the law.

12.3 Plan Expenses. All expenses authorized and incurred by the Administrative Committee shall be from the assets of the Plan, except to the extent such expenses are paid by the Bank.

12.4 Meetings and Voting. The Administrative Committee shall act by a majority vote of its respective members at a meeting or, by written consent of a majority of its members, without a meeting. The Administrative Committee shall hold meetings, as deemed necessary by them, although any member may call a special meeting of the committee by giving reasonable notice to the other members. The Secretary of the Administrative Committee shall have authority to give certified notice in writing of any action taken by the committee.

12.5 Compensation. The members of the Administrative Committee, if Employees, shall serve without compensation.

12.6 Claims Procedures.

- (a) Any Participant or Beneficiary ("Claimant") may file a written claim for a benefit under the Plan with the Administrative Committee or with a person named by the Administrative Committee to receive such claims;
- (b) In the event of a denial or limitation of any benefit or payment due or requested by any Claimant, such Claimant shall be given a written notification containing

specific reasons for the denial or limitation of the benefit. The written notification shall contain specific reference to the pertinent Plan provisions on which the denial or limitation is based. In addition, it shall contain a description of any additional material or information necessary for the Claimant to perfect a claim and an explanation of why such material or information is necessary. Further, the notification shall provide appropriate information as to the steps to be taken if the Claimant wishes to submit such claim for review. This written notification shall be given to a Claimant within 90 days after receipt of the claim by the Administrative Committee (or its delegatee to receive such claims), unless special circumstances require an extension of time for processing the claim. If such an extension of time is required, written notice of the extension shall be furnished to the Claimant prior to the termination of the 90-day period and such notice shall indicate the special circumstances which make the postponement appropriate;

- (c) In the event of a denial or limitation of benefits, the Claimant or the Claimants duly authorized representative shall be permitted to review pertinent documents and to submit issues and comments in writing to the Administrative Committee. In addition, the Claimant or the Claimant's duly authorized representative may make a written request for a full and fair review of the claim and its denial by the Administrative Committee; provided, however, that such written request must be received by the Administrative Committee (or its delegatee to receive such requests) within 60 days after receipt by the Claimant of written notification of the denial or limitation. The 60-day requirement may be waived by the Administrative Committee in appropriate cases; and
- (d) A decision shall be rendered by the Administrative Committee within 60 days after the receipt of the request for review; provided, however, that where special circumstances require an extension of time for processing the decision, it may be postponed, on written notice to the Claimant (prior to the expiration of the initial 60-day period) for an additional 60 days, but in no event shall the decision be rendered more than 120 days after the receipt of such request for review. However, if the Administrative Committee holds regularly scheduled meetings at least quarterly to review such appeals, a Claimant's request for review shall be acted upon at the meeting immediately following the receipt of the Claimant's request unless such request is filed within 30 days preceding such meeting. In such instance, the decision shall be made no later than the date of the second meeting following the receipt of such request by the Administrative Committee (or its delegatee to receive such requests). If special circumstances require a further extension of time for processing a request, a decision shall be rendered not later than the third meeting of the Administrative Committee following the receipt of such request for review, and written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension.
- (e) Any decision by the Administrative Committee shall be furnished to the Claimant in writing and in a manner calculated to be understood by the Claimant and shall set forth the specific reason(s) for the decision and the specific Plan provision(s) on which the decision is based.

12.7 Liabilities. The Administrative Committee, each member or former member of such Committee, and each person to whom duties and responsibilities have been delegated under the Plan shall be indemnified and held harmless by the Bank, to the fullest extent permitted by ERISA, other applicable laws, and the charter and By-laws of the Bank.

ARTICLE XIII
AMENDMENTS

13.1 Right to Amend. Except as otherwise set forth in this Article XIII or as may be required by law, the Board of Directors reserves the right to amend the Plan at any time and in any manner, without prior notification, consultation, or bargaining with any Employee or representative of Employees by written resolution of the Board of Directors adopted at a duly convened meeting of the Board of Directors in accordance with the By-Laws of the Bank and the laws of the State of Delaware. To the extent required by the Code or ERISA, no amendment to the Plan shall decrease a Participant's benefit or eliminate an optional form of distribution. No amendment shall make it possible for any assets of the Plan to be used for or diverted to any purposes other than for the exclusive benefit of Participants and Beneficiaries.

13.2 Amendment by Administrative Committee. The Administrative Committee may adopt any ministerial and nonsubstantive amendment it deems necessary or appropriate to (a) facilitate the administration, management and interpretation of the Plan, (b) conform the Plan to current practice, or (c) cause the Plan and its related Trust to qualify under Code sections 401(a)(1), 501(a) and 4975(e)(7) or to comply with ERISA or any other applicable laws; provided that such amendment does not have any material effect on the estimated cost to the Bank of maintaining the Plan.

13.3 Plan Merger and Asset Transfers. No assets of the Trust shall be merged or consolidated with, nor shall any assets or liabilities be transferred to any other plan, unless the benefits payable to each Participant or Beneficiary, if this Plan were terminated immediately after such action, would be equal to or greater than the benefits such individuals would have been entitled to receive if this Plan had been terminated immediately before such action.

13.4 Amendment of Vesting Schedule. Notwithstanding anything to the contrary, no amendment to the Plan shall have the effect of decreasing a Participant's nonforfeitable percentage determined without regard to such amendment as of the later of the date such amendment is adopted or the date it becomes effective. If the Plan's vesting schedule is amended, or the Plan is amended in any way that directly or indirectly affects the computation of a Participant's nonforfeitable percentage, each Participant with at least 3 Years of Service may elect, within a reasonable period after the adoption of the amendment, to have the nonforfeitable percentage computed under the Plan without regard to such amendment. The Participant's election may be made at any time during the period ending on the latest of:

- (a) 60 days after the amendment is adopted;
- (b) 60 days after the amendment becomes effective; or
- (c) 60 days after the Participant is issued written notice of the amendment by the Bank or the Administrative Committee.

ARTICLE XIV
TERMINATION

14.1 Right to Terminate. While the Bank intends the Plan to be permanent, the Board of Directors reserves the right to terminate the Plan at any time, without prior notification, consultation, or bargaining with any Employee or representative of Employees by written resolution of the Board of Directors adopted at a duly convened meeting of the Board of Directors in accordance with the By-laws of the Bank and the laws of the State of Delaware.

14.2 Effect of Termination. If the Plan is terminated, contributions shall cease, and the assets remaining in the Trust, after payment of any expenses, including expenses of administration or liquidation, shall be retained in the Trust for distribution in accordance with the terms of the Plan. Upon termination (including a partial termination), or upon the complete discontinuance of contributions by the Bank, all Participants shall be 100% vested in their Accounts.

ARTICLE XV
MISCELLANEOUS

15.1 Non-alienation of Benefits. Except as provided in Code section 401(a)(13) (relating to qualified domestic relations orders), Code section 401(a)(13)(C) and (D) (relating to offsets ordered or required under a criminal conviction involving the Plan, a civil judgment in connection with a violation or alleged violation of fiduciary responsibilities under ERISA, or a settlement agreement between the Participant and the Department of Labor in connection with a violation or alleged violation of fiduciary responsibilities under ERISA), Section 1.401(a)-13(b)(2) of Treasury regulations (relating to Federal tax levies and judgments), or as otherwise required by law, no benefit under the Plan at any time shall be subject in any manner to anticipation, alienation, assignment (either at law or in equity), encumbrance, garnishment, levy, execution, or other legal or equitable process; and no person shall have power in any manner to anticipate, transfer, assign (either at law or in equity), alienate or subject to attachment, garnishment, levy, execution, or other legal or equitable process, or in any way encumber the Participant's benefits under the Plan, or any part thereof, and any attempt to do so shall be void.

15.2 Appointment of Guardian. Where it is established to the satisfaction of the Administrative Committee that a guardian has been duly appointed on behalf of a person entitled to a distribution under the Plan, the Administrative Committee may cause payment to be made to the guardian for the benefit of the entitled person. The Administrative Committee shall have no responsibility with respect to the application of amounts so paid.

15.3 Satisfaction of Benefit Claims. The assets of the Trust shall be the sole source of benefits under this Plan, and each Participant or any other person who shall claim the right to any payment or benefit under this Plan shall be entitled to look only to the Trust for such payment or benefit, and shall not have any right, claim or demand against the Bank or any officer or director of the Bank. Such Participant or person shall not have a right to or interest in any assets of the Trust, except as provided from time to time under this Plan.

15.4 Controlling Law. The provisions of the Plan shall be construed, administered and enforced under the laws of the United States and the State of Delaware.

15.5 Non-Guarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between the Bank and any Employee, or as a right of any Employee to be continued in the employment of the Bank or as a limitation of the right of the Bank to discharge any of its Employees, with or without cause.

15.6 Severability and Construction of the Plan.

- (a) If any provision of the Plan or the application of it to any circumstance(s) or person(s) is invalid, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.
- (b) Unless the context otherwise indicates, the masculine wherever used shall include the feminine and neuter; the singular shall include the plural; and words such as herein, hereof, hereby, hereunder and words of similar import shall refer to the Plan as a whole and not any particular part of it.

15.7 No Requirement of Profits. Contributions may be made to the Plan without regard to current or accumulated profits of the Bank.

15.8 All Risk on Participants and Beneficiaries. Each Participant and Beneficiary shall assume all risk in connection with any decrease in the value of the assets of the Trust and the Participants' and Beneficiaries' Accounts.

ARTICLE XVI
TOP-HEAVY PROVISIONS

16.1 Determination of Top-Heavy Status.

- (a) Any provision of this Plan to the contrary notwithstanding, for any Plan Year in which the Plan is a Top-Heavy Plan, the provisions of this Article shall apply. The provisions of this Article shall have effect only to the extent required under Code section 416. This Plan shall be deemed a Top-Heavy Plan only with respect to any Plan Year in which, as of the Determination Date, the Top-Heavy Ratio exceeds 60%.
- (b) If the Plan is not included in a Required Aggregation Group with other plans, then it shall be Top-Heavy only if (i) when considered by itself it is a Top-Heavy Plan and (ii) it is not included in a Permissive Aggregation Group that is not a Top-Heavy Group.
- (c) If the Plan is included in a Required Aggregation Group with other plans, it shall be Top-Heavy only if the Required Aggregation Group, including any permissively aggregated plans, is Top-Heavy.

16.2 Top-Heavy Definitions. Solely for purposes of this Article, the following words and phrases shall have the following meaning:

- (a) "Aggregation Group or Top Heavy Group" means either a Required Aggregation Group or a Permissive Aggregation Group.
- (b) "Bank" means the Bank and all members of a controlled group of corporations (as defined in Code section 414(b) as modified by Code section 415(h)), all commonly controlled trades or businesses (as defined in Code section 414(c) as modified by Code section 415(h)), or affiliated service groups (as defined in Code section 414(m)) of which the Bank is a part.
- (c) "Determination Date" means, with respect to any Plan Year, the last day of the preceding Plan Year or in the case of the first Plan Year of any plan, the last day of such Plan Year or such other date as permitted under rules issued by the U.S. Department of the Treasury.
- (d) "Key Employee" means any employee or former employee (including any deceased employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Bank having annual compensation greater than \$130,000 (as adjusted under Code section 416(i)(1)), a five percent owner of the Bank, or a one percent owner of the Bank having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Code section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.
- (e) "Non-Key Employee" means any Employee who is not a Key Employee.
- (f) "Permissive Aggregation Group" means a Required Aggregation Group plus any other plans maintained and selected by the Bank; provided that all such plans when considered together satisfy the requirements of Code sections 401(a)(4) and 410.
- (g) "Required Aggregation Group" means each qualified plan of the Bank in which at least one Key Employee participates or which enables any plan in which a Key Employee participates to meet the requirements of Code sections 401(a)(4) or 410.
- (h) "Top-Heavy Ratio" means:
 - (i) If the Bank maintains one or more defined contribution plans (including any Simplified Employee Pension Plan) and the Bank has not maintained

any defined benefit plan which during the 5-year period ending on the Determination Date(s) has or has had accrued benefits, the Top-Heavy Ratio is a fraction, the numerator of which is the sum of the Account balances of all Key Employees as of the Determination Date(s) (including any part of any Account balance distributed in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or disability) ending on the Determination Date(s)), and the denominator of which is the sum of all Account balances (including any part of any Account balance distributed in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or disability) ending on the Determination Date(s)), both computed in accordance with Code section 416 and the regulations thereunder. Both the numerator and denominator of the Top-Heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Code section 416 and the regulations thereunder.

- (i) If the Bank maintains or has maintained one or more defined benefit plans which during the 5-year period ending on the Determination Date(s) has or has had any accrued benefits, the Top-Heavy Ratio for any required or permissive aggregation group as appropriate is a fraction, the numerator of which is the sum of Account Balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with (i) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the Account balances under the aggregated defined contribution plan or plans for all Participants, determined in accordance with (i) above, and the present value of accrued benefits under the defined benefit plan or plans for all Participants as of the Determination Date(s), all determined in accordance with Code section 416 and the regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top-Heavy Ratio are increased for any distribution of an accrued benefit made in the 1-year period (5-year period in the case of a distribution made for a reason other than severance from employment, death or disability) ending on the Determination Date.
- (ii) For purposes of (i) and (ii) above the value of Account balances and the present value of accrued benefits will be determined as of the most recent Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code section 416 and the regulations thereunder for the first and second plan years of a defined benefit plan. The Account balances and accrued benefits of a Participant (1) who is not a Key Employee but who was a Key Employee in a prior year, or (2) who has not been credited with at least one hour of service with any Employer maintaining the plan at any time during the 1-year

period ending on the Determination Date will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Code section 416 and the regulations thereunder. Deductible employee contributions will not be taken into account for purposes of computing the Top-Heavy Ratio. When aggregating plans the value of Account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (1) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the employer, or (2) if there is no such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Code section 411(b)(1)(C).

- (iv) "Valuation Date" means, for purposes of determining if the Plan is Top-Heavy, the most recent Valuation Date in the period of twelve months ending on the Determination Date.

16.3 Top-Heavy Rules. For any year in which a Plan is determined to be a Top-Heavy Plan the following rules shall apply:

- (a) For each Plan Year in which the Plan is Top-Heavy, minimum contributions for a Participant who is a Non-Key Employee shall be required to be made on behalf of each Participant who is employed by the Bank on the last day of the Plan Year. The amount of the minimum contribution shall be the lesser of the following percentage of compensation:
- (i) 3%, or
 - (ii) the highest percentage at which Contributions are made under the Plan for the Plan Year on behalf of any Key Employee.
 - (A) For purposes of this paragraph (ii), all defined contribution plans included in a Required Aggregation Group shall be treated as one plan.
 - (B) This paragraph (ii) shall not apply if the Plan is included in a Required Aggregation Group and the Plan enables a defined benefit plan included in the Required Aggregation Group to meet the requirements of Code sections 401(a)(4) or 410.
 - (C) If the highest percentage at which Contributions are made under the Plan for a top-heavy Plan Year on behalf of Key Employees is less than 3%, the amounts contributed as a result of a salary reduction agreement must be included in determining Contributions made on behalf of Key Employees.

Any contributions that must be made under this subsection (a) shall be made under the Ponce De Leon Bank 401(k) Profit Sharing Plan.

(b) The vesting schedule when the Plan is Top-Heavy is as follows:

<u>Years of Service After the Effective Date</u>	<u>Vested Percentage</u>
0-1 Years of Service	0%
2 Years of Service	20%
3 or more Years of Service	100%

ARTICLE XVII
EXEMPT LOANS

17.1 General. The Trustee shall have the authority and discretion to borrow money from a Disqualified Person, or another source which is guaranteed by a Disqualified Person for the purpose of (a) purchasing Company Stock, or (b) repaying a prior Exempt Loan. Any Exempt Loan shall satisfy all of the requirements of this Article XVII.

17.2 Terms of Exempt Loan Agreements. All Exempt Loans shall satisfy the following requirements:

- (a) The loan shall be primarily for the benefit of Participants and their Beneficiaries.
- (b) The loan shall be for a specified term and shall bear no more than a reasonable rate of interest.
- (c) The proceeds of an Exempt Loan shall be used to purchase Company Stock within a reasonable period of time following receipt.
- (d) The collateral pledged by the Trustee shall consist only of the Company Stock purchased with the borrowed funds, or Company Stock that was pledged as collateral in connection with a prior Exempt Loan that was repaid with the proceeds of the current Exempt Loan.
- (e) Under the terms of the agreement, the lender shall have no recourse against the Trust, or any of its assets, except with respect to the collateral and contributions (other than contributions of Company Stock) by the Bank that are made to satisfy its obligations under the loan agreement and earnings attributable to such collateral and such contributions.
- (f) The payments made on the loan during a Plan Year shall not exceed an amount equal to the sum of such contributions and the earnings received during or prior to the year less such payments on the exempt loan in prior years.
- (g) In the event of default, the value of the assets transferred in satisfaction of the loan shall not exceed the amount of default; moreover, if the lender is a Disqualified Person, the loan agreement shall provide for a transfer of assets upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the loan.

17.3 Prohibition on Purchase Arrangements. Except as provided in Article X and as hereinafter provided in this Article XVII, no Company Stock shall be subject to a put, call, or other option, or buy-sell or similar arrangement while held by and when distributed from the Trust, whether or not at the time of distribution the Plan is an employee stock ownership plan. These protections and rights which attach to Company Stock acquired with the proceeds of an Exempt Loan shall not be terminable.

17.4 Suspense Account.

- (a) Bank contributions made to the Trust in the form of Company Stock purchased with the proceeds of an Exempt Loan shall be held in the Suspense Account as the collateral for that Exempt Loan. Such stock shall be released from the Suspense Account on a pro-rata basis according to the amount of the payment on the Exempt Loan for the Plan Year, determined under one of the following two alternative formulas in the discretion of the Administrative Committee:
- (i) for each Plan Year during the duration of the Exempt Loan, the number of shares of Company Stock released shall equal the number of such shares held in the Suspense Account immediately before release for the current Plan Year multiplied by a fraction, the numerator of which is the amount of principal and interest paid for the year and the denominator of which is the sum of the numerator plus the remaining principal and interest to be paid for all future years. The number of future years under the Exempt Loan must be definitely ascertainable and must be determined without taking into account any possible extensions or renewal periods. If the interest rate under the loan is variable, the interest to be paid in future years must be computed by using the interest rate applicable as of the end of the Plan Year. If the collateral includes more than one class of Company Stock, the number of shares of each class to be released for a Plan Year must be determined by applying the same fraction to each class; or
 - (ii) for each Plan Year during the duration of the Exempt Loan, the number of shares of Company Stock released is determined solely with reference to the principal payment of the Exempt Loan. If Company Stock in the Suspense Account is released in accordance with this subsection (ii), (A) the Exempt Loan must provide for annual payments of principal and interest at a cumulative rate that is not less rapid at any time than level annual payments of such amounts for 10 years; and (B) interest included in any payment is disregarded only to the extent that it would be determined to be interest under standard loan amortization tables. This subsection (ii) will not be applicable if by reason of a renewal, extension, or refinancing, the sum of the expired duration of the Exempt Loan, the renewal period, the extension period, and the duration of a new Exempt Loan exceeds 10 years.
- (b) Shares of Company Stock released in accordance with Section 17.4(a) of the Plan shall then be allocated to the Accounts of Participants first, in an amount equal in value to any dividends paid on shares previously allocated to Participant's Accounts that are used to repay the Exempt Loan. The remaining shares of such stock shall be allocated to the Accounts of Participants in the same manner as described in Section 5.5.

17.5 Sale of Financed Shares. In the event the Plan receives an offer to participate in a corporate transaction (i.e., a stock sale, asset sale, merger or consolidation) before all the shares of Company Stock have been released from the Suspense Account, the Trustee may enter into an agreement for the sale of all Company Stock which is not allocated to the accounts of Participants, and use the proceeds thereof to repay an Exempt Loan. Any proceeds of the sale of unallocated Company Stock which is not required to repay the Exempt Loan, will be allocated as earnings to Participant's Accounts.

IN WITNESS WHEREOF, Ponce De Leon Federal Bank has caused this Plan to be duly executed on its behalf this day of , 2017.

Ponce De Leon Federal Bank

By: _____

Name: Carlos P. Naudon

Title: President

Ponce Bank
ESOP Equalization Plan

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PONCE BANK

ESOP EQUALIZATION PLAN

WHEREAS, Ponce De Leon Federal Bank, a federally chartered bank (the “Bank”), had adopted the “Ponce De Leon Federal Bank Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan” pursuant to which Ponce De Leon Federal will reorganize into the mutual holding company structure;

WHEREAS, as part of this plan of reorganization, Ponce De Leon Federal will transfer its assets and liabilities to a de novo federally chartered stock savings bank, named “Ponce Bank,” that will be wholly owned by PDL Community Bancorp, a to-be-formed federal corporation;

WHEREAS, pursuant to this plan of reorganization, PDL Community Bancorp will issue no less than 50.1% of its to-be-outstanding shares of common stock to Ponce Bank Mutual Holding Company, a federally-chartered mutual holding company that will be formed pursuant to this plan of reorganization, and offer for sale to certain depositors and borrowers and others up to 49.9% of its to-be-outstanding shares of common stock;

WHEREAS, in connection with this plan of reorganization the Bank has established an employee stock ownership plan named the “Ponce Bank Employee Stock Ownership Plan” to recognize the contributions being made to the successful operation of its business by certain of its employees, employees of certain affiliated entities, and their respective successors, who are or shall hereafter become eligible as participants under the plan which such plan will be invested primarily in shares of common stock of PDL Community Bancorp;

WHEREAS, benefits under the Ponce Bank Employee Stock Ownership Plan to certain participants will be limited on account of certain Applicable Limitations (as defined herein); and

WHEREAS, the Bank wishes to establish a separate deferred compensation plan to make up for the benefits that will be limited as the result of the Applicable Limitations.

NOW, THEREFORE, in consideration of the foregoing, the Bank hereby adopts this Ponce Bank ESOP Equalization Plan (the “Plan”) effective as of January 1, 2017.

ARTICLE I
DEFINITIONS

“Applicable Limitation” means either of the following: (a) the limitation on annual compensation that may be recognized under a tax-qualified plan for benefit computation purposes pursuant to section 401(a)(17) of the Code; and (b) the maximum limitation on annual additions to a tax-qualified defined contribution plan pursuant to section 415(c) of the Code.

“Beneficiary” means any person, other than a Participant or former Participant, who is determined to be entitled to benefits under the terms of the Plan.

“Board” means the Board of Directors of the Company.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Reference to a specific section of the Code shall include such provisions, any valid regulation or ruling promulgated thereunder and any provision of future law that amends, supplements or supersedes such provision.

“Committee” means the Compensation Committee of the Board of Directors of the Company, or such other person, committee or other entity as shall be designated by or on behalf of such Board to perform the duties set forth in Article VI.

“Company” means Ponce De Leon Federal Bank, a federally chartered bank, or any successor thereto.

“Company Contributions” means contributions by the Company to the ESOP.

“Effective Date” means January 1, 2017.

“Eligible Employee” means an Employee who is eligible for participation in the Plan in accordance with the provisions of Article II.

“Employee” means any person, including an officer, who is employed by the Company as a common law employee.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to a specific section of ERISA shall include such provisions, any valid regulation or ruling promulgated thereunder and any provision of future law that amends, supplements or supersedes such provision.

“ESOP” means the Ponce Bank Employee Stock Ownership Plan, as amended from time to time.

“Fair Market Value of a Share” means, with respect to a Share on a specified date, the closing price of the share as reported on the National Association of Securities Dealers Automated Quotation System, NASDAQ Global Market or another national securities exchange. If there is no trading on such date, the determination shall be made by reference to the closing price of the Shares on the last date preceding such date on which the Shares were traded.

“Plan” means this Ponce Bank ESOP Equalization Plan, as amended from time to time.

“Share” means a share of common stock, par value \$0.01 per share, of PDL Community Bancorp.

“Stock Unit” means a right to receive a payment under the Plan in an amount equal, on the date as of which such payment is made, to the Fair Market Value of a Share.

“Separation from Service” means an Employee’s separation from service (within the meaning of section 409A of the Code) from the Company, whether by resignation, discharge, death, disability, retirement or otherwise.

ARTICLE II
PARTICIPATION

2.1 Eligibility for Participation. Only Eligible Employees may be or become Participants. An Employee shall become an Eligible Employee if:

- (a) he has been designated an Eligible Employee by resolution of the Compensation Committee; and
- (b) he is a Participant in the ESOP and the benefits to which he is entitled thereunder are limited by one or more of the Applicable Limitations;

provided, however, that no person shall be named an Eligible Employee, nor shall any person who has been an Eligible Employee continue as an Eligible Employee, to the extent that such person's participation, or continued participation, in the Plan would cause the Plan to fail to be considered maintained for the primary purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of ERISA.

2.2 Commencement of Participation. An Employee shall become a Participant on the date when he first becomes an Eligible Employee, but not earlier than the Effective Date.

2.3 Termination of Participation. Participation in the Plan shall cease on the earliest of (a) the date of the Participant's Separation from Service; (b) the date on which he or she ceases to be an Eligible Employee; or (c) the date the Plan is terminated.

ARTICLE III
BENEFITS TO MEMBERS

3.1 Supplemental ESOP Benefits.

- (a) A Participant whose benefits under the ESOP are limited by one or more of the Applicable Limitations shall be eligible for a supplemental ESOP benefit under this Plan in an amount equal to the sum of:
 - (i) a number of Stock Units equal to the excess (if any) of (A) the aggregate number of Shares (including any reallocation of Shares forfeited upon the termination of employment of others participating in the ESOP and any allocation of Shares upon full repayment of any loan by the ESOP) that would have been credited to the Participant's account under the ESOP in the absence of the Applicable Limitations over (B) the number of Shares actually credited to his account under the ESOP; plus
 - (ii) if and to the extent that Company Contributions to the ESOP result in allocations to the Participant's account of assets other than Shares, an amount equal to the excess (if any) of (A) the aggregate amount of Company Contributions (including any reallocation of

amounts forfeited upon the termination of employment of others participating in the ESOP and any allocation of cash upon full repayment of any loan by the ESOP) that would have been credited to the Participant's account under the ESOP in the absence of the Applicable Limitations over (B) the aggregate amount of Company Contributions (including any reallocation of amounts forfeited upon the termination of employment of others participating in the ESOP) actually credited to the Participant's account under the ESOP; adjusted for earnings and losses as provided Section 3.1(b)

- (b) The Committee shall cause to be maintained a bookkeeping account to reflect all Shares and Company Contributions (including any reallocation of amounts forfeited upon the termination of employment of others participating in the ESOP) that cannot be allocated to a Participant's account under the ESOP due to the Applicable Limitations and shall cause such bookkeeping account to be credited with such Company Contributions and Stock Units reflecting such Shares as of the date on which such Company Contributions and Shares, respectively, would have been credited to the Participant's account in the ESOP in the absence of the Applicable Limitations. The balance credited to such bookkeeping account shall be adjusted for earnings or losses as follows:
- (i) all Stock Units shall be adjusted from time to time so that the value of a Stock Unit on any date is equal to the Fair Market Value of a Share on such date, and the number of Stock Units shall be adjusted as and when appropriate to reflect any stock dividend, stock split, reverse stock split, exchange, conversion, or other event generally affecting the number of Shares held by all holders of Shares; and
 - (ii) the balance credited to such bookkeeping account that does not consist of Stock Units shall be credited with interest as of the last day of each calendar quarter at the highest rate of interest credited on certificates of deposit issued by the Bank during that calendar quarter.
 - (iii) In the event PDL Community Bancorp declares any cash dividends on its Shares, the Stock Units in the bookkeeping account established for each Participant under this Plan shall be credited with dividend equivalent amounts equal to the cash dividends that would be payable if the Stock Units were outstanding Shares and such amounts shall be converted to additional Stock Units at Fair Market Value on the date the cash dividend is otherwise payable to the shareholders of PDL Community Bancorp.
- (c) The vested supplemental ESOP benefit payable to a Participant hereunder shall be paid in a single lump sum within 90 days following the Participant's Separation from Service occurs and shall be in an amount equal to the balance credited to his

bookkeeping account; provided, however, that if at the time of a Participant's Separation from Service, the Participant is considered a "specified employee" within the meaning of section 409A(a)(2)(B)(i) of the Code, then no such payment shall be payable prior to the date that is the earlier of (i) the date following the date that is six months after the Participant's Separation from Service, or (ii) the Participant's death. The vesting determination of a Participant's supplemental ESOP benefit shall be made in the same manner as under the ESOP.

ARTICLE IV
DEATH BENEFITS

A Participant may designate a Beneficiary or Beneficiaries to receive any benefits payable under the Plan following his or her death. Any such designation, or change therein or revocation thereof, shall be made in writing in the form and manner prescribed by the Committee, shall be revocable until the death of the Participant, and shall thereafter be irrevocable; provided, however, that any change or revocation shall be effective only if received by the Committee prior to the Participant's death. If a Participant shall die without having effectively named a Beneficiary, he or she shall be deemed to have named his estate as his sole Beneficiary. If a Participant and his designated Beneficiary shall die in circumstances which give rise to doubt as to which of them shall have been the first to die, the Participant shall be deemed to have survived the Beneficiary. If a Participant designates more than one Beneficiary, all shall be deemed to have equal shares unless the Participant shall expressly provide otherwise.

ARTICLE V
TRUST FUND

5.1 Establishment of Trust. The Company may establish a trust fund which may be used to accumulate funds to satisfy benefit liabilities to Participants and their Beneficiaries under the Plan; provided, however, that the assets of such trust shall be subject to the claims of the creditors of the Bank in the event that it is determined that the Bank is insolvent; and provided, further, that the trust agreement shall contain such terms, conditions and provisions as shall be necessary to cause the Bank to be considered the owner of the trust fund for federal, state or local income tax purposes with respect to all amounts contributed to the trust fund or any income attributable to the investments of the trust fund. The Company shall pay all costs and expenses incurred in establishing and maintaining such trust. Any payments made to a Participant or Beneficiary from a trust established under this Section 5.1 shall offset payments which would otherwise be payable by the Company in the absence of the establishment of such trust. Any such trust will conform to the terms of the model trust prescribed by Revenue Procedure 92-64, as the same may be modified from time to time.

5.2 Contributions to Trust. If a trust is established in accordance with Section 5.1, the Company shall make contributions to such trust in such amounts and at such times as may be specified by the Committee or as may be required pursuant to the terms of the agreement governing the establishment and operation of such trust.

5.3 Unfunded Character of Plan. Notwithstanding the establishment of a trust pursuant to Section 5.1, the Plan shall be unfunded for purposes of the Code and ERISA. Any liability of the Company to any person with respect to benefits payable under the Plan shall be based solely upon such contractual obligations, if any, as shall be created by the Plan, and shall give rise only to a claim against the general assets of the Company. No such liability shall be deemed to be secured by any pledge or any other encumbrance on any specific property of the Company.

ARTICLE VI
ADMINISTRATION

6.1 The Committee. The administration of the Plan shall be the responsibility of the Committee. The Committee shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the Plan. The determination of the Committee as to any question involving the general administration and interpretation of the Plan shall be final, conclusive and binding. Any discretionary actions to be taken under the Plan by the Committee shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Committee shall have the following powers:

- (a) to furnish to all Participants, upon request, copies of the Plan and to require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving any benefits under the Plan;
- (b) to make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;
- (c) to interpret the Plan, and to resolve ambiguities, inconsistencies and omissions, and the determinations of the Committee in respect thereof shall be binding, final and conclusive upon all interested parties;
- (d) to decide on questions concerning the Plan in accordance with the provisions of the Plan (including facts necessary to administer the Plan);
- (e) to determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan, to hear and decide claims for benefits, and to provide a full and fair review to any Participant whose claim for benefits has been denied in whole or in part;
- (f) to designate a person, who may or may not be a member of the Committee, as "plan administrator" for purposes of the ERISA;
- (g) to allocate any such powers and duties to or among individuals of the Committee; and
- (h) the power to designate persons other than Committee members to carry out any duty or power which would otherwise be a responsibility of the Committee or Administrator, under the terms of the Plan.

6.2 Liability of Committee Participants and Their Delegates. To the extent permitted by law, the Committee and any person to whom it may delegate any duty or power in connection with administering the Plan, the Company, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the reliance upon, any actuary, counsel, accountant, other specialist, or other person selected by the Committee, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of the Committee, nor the Company, nor the officers or directors thereof, shall be liable for any neglect, omission or wrongdoing of any other members of the Committee, agent, officer or employee of the Company. Any person claiming benefits under the Plan shall look solely to the Company for redress.

6.3 Plan Expenses. All expenses incurred prior to the termination of the Plan that shall arise in connection with the administration of the Plan (including, but not limited to administrative expenses, proper charges and disbursements, compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be employed by the Committee in connection with the administration of the Plan), shall be paid by the Company.

ARTICLE VII AMENDMENT AND TERMINATION

7.1 Amendment by the Company. The Company reserves the right, in its sole and absolute discretion, at any time and from to time, by action of the Board, to amend the Plan in whole or in part. In no event, however, shall any such amendment adversely affect the right of any Participant, former Participant or Beneficiary to receive any benefits under the Plan in respect of participation for any period ending on or before the later of the date on which such amendment is adopted or the date on which it is made effective.

7.2 Termination. The Company also reserves the right, in its sole and absolute discretion, by action of the Board, to terminate the Plan. In such event, undistributed benefits attributable to participation prior to the date of termination shall be distributed in accordance with Section 3.1(c); provided however that benefit payments may be accelerated to the extent permitted by section 409A of the Code.

ARTICLE VIII MISCELLANEOUS PROVISIONS

8.1 Construction and Language. Wherever appropriate in the Plan, words used in the singular may be read in the plural, words used in the plural may be read in the singular, and the masculine gender may be read as referring equally to the feminine gender or the neuter. Any reference to an Article or section shall be to an Article or section of the Plan, unless otherwise indicated. If there is any conflict between such headings and the text of the Plan, the text shall control.

8.2 Headings. The headings of Articles and sections are included solely for convenience of reference. If there is any conflict between such headings and the text of the Plan, the text shall control.

8.3 Non-Alienation of Benefits. Except as may otherwise be required by law, no distribution or payment under the Plan to any Participant or Beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant or Beneficiary is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge encumber or charge any such distribution or payment, voluntarily or involuntarily, the Committee, in its sole discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment, or any part thereof, to or for the benefit of such Participant or Beneficiary, in such manner as the Committee shall direct; provided, however, that no such action by the Committee shall cause the acceleration or deferral of any benefit payments from the date on which such payments are scheduled to be made.

8.4 Severability. A determination that any provision of the Plan is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

8.5 Waiver. Failure to insist upon strict compliance with any of the terms, covenants or conditions of the Plan shall not be deemed a waiver of such term, covenant or condition. A waiver of any provision of the Plan must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any right or power hereunder at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

8.6 Governing Law. The Plan shall be construed, administered and enforced according to the laws of the State of Delaware without giving effect to the conflict of laws principles thereof, except to the extent that such laws are preempted by federal law. Any payments made pursuant to this Plan are subject to and conditioned upon their compliance with 12 U.S.C. Section 1828(k) and any rules and regulations promulgated thereunder, including 12 C.F.R. Part 359.

8.7 Withholding. Payments from this Plan shall be subject to all applicable federal, state and local income withholding taxes.

8.8 No Deposit Account. Nothing in this Plan shall be held or construed to establish any deposit account for any Participant or any deposit liability on the part of the Company. Participants' rights hereunder shall be equivalent to those of a general unsecured creditor of the Company.

8.9 Rights of Employees. No Employee shall have any right or claim to any benefit under the Plan except in accordance with the provisions of the Plan. The establishment of the Plan shall not be construed as conferring upon any Employee or other person any legal right to a continuation of employment or to any terms or conditions of employment, nor as limiting or qualifying the right of the Company to discharge any Employee.

8.10 Status of Plan Under ERISA. The Plan is intended to be (a) to the maximum extent permitted under applicable laws, an unfunded, non-qualified excess benefit plan as contemplated by section 3(36) of ERISA for the purpose of providing benefits in excess of the limitations imposed under section 415 of the Code, and (b) to the extent not so permitted, an unfunded, non-qualified plan maintained primarily for the purpose of providing deferred compensation for highly compensated employees, as contemplated by sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. The Plan is not intended to comply with the requirements of section 401 (a) of the Code or to be subject to Parts 2, 3 and 4 of Title I of ERISA. The Plan shall be administered and construed so as to effectuate this intent.

8.11 Successors and Assigns. The provisions of the Plan will inure to the benefit of and be binding upon the Participants and their respective legal representatives and testate or intestate distributes, and the Company and its successor and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the assets and business of the Company may be sold or otherwise transferred.

8.12 Claims Procedures. If a Participant, Beneficiary, alternate payee or their authorized representative asserts a right to benefit under the Plan which has not been received, the Claims Procedures under the ESOP shall govern.

IN WITNESS WHEREOF, Ponce De Leon Federal Bank has caused this Plan to be duly executed on its behalf this day of , 2017.

Ponce De Leon Federal Bank

By: _____
Name: Carlos P. Naudon
Title: President

7/31/13

Non-Qualified Deferred Compensation Plan, Basic Plan Document

**NONQUALIFIED
DEFERRED COMPENSATION PLAN
BASIC PLAN DOCUMENT**
(Including Code §409A provisions)

Base Document

**NONQUALIFIED
DEFERRED COMPENSATION PLAN
BASIC PLAN DOCUMENT**

By execution of the Adoption Agreement associated with this Basic Plan Document, the Employer establishes this Nonqualified Deferred Compensation Plan ("Plan") for the benefit of certain Employees and Contractors the Employer designates in its Adoption Agreement. The primary purpose of the Plan is to provide additional compensation to Participants upon termination of employment or service with the Employer. The Employer will pay benefits under the Plan only in accordance with the terms and conditions set forth in the Plan.

PREAMBLE

ERISA/Code Plan Type. The Employer in its Adoption Agreement will specify whether it establishes the Plan as a nonqualified deferred compensation plan or as an ineligible Code §457(f) plan. A nonqualified deferred compensation plan is an unfunded plan that may be: (i) an "excess benefit plan" under ERISA §3(36); (ii) a plan maintained "primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" ("top-hat plan") under ERISA §§201(2), 301(a)(3) and 401(a)(1); (iii) a plan only for Contractors and exempt from Title I of ERISA; or (iv) a church plan under Code §414(e) and ERISA §3(33) and maintained by a church or church-controlled organization under Code §3121(w)(3). A top-hat plan includes a supplemental executive retirement plan ("SERP"). A tax-exempt Code §457(f) plan may include a church plan under Code §414(e) and ERISA §3(33) but which is not sponsored by a church or church-controlled organization under Code §3121(w)(3).

409A Plan Type. The Employer in its Adoption Agreement will specify whether it establishes the Plan as an Account Balance Plan or as a Separation Pay Plan.

Possible Nonuniformity. The Employer in its Adoption Agreement will specify such Plan terms as will apply to all Participants uniformly or as may apply to a given Participant. Except where the Plan or Applicable Guidance require uniformity in order to comply with Code §409A, the Employer need not provide the same Plan benefits or apply the same Plan terms and conditions to all Participants, even as to Participants who are of similar pay, title and other status with the Employer. The elections the Employer makes in its Adoption Agreement apply uniformly to all Participants, except to the extent the Employer adopts inconsistent provisions with respect to one or more Participants in a separate attachment designated as "Exhibit A" and attached to the Adoption Agreement. The Employer may create a separate Exhibit A for one or more Participants, specifying such terms and conditions as are applicable to a given Participant. The Employer, in Exhibit A, may modify any Plan provision or any Adoption Agreement election as to one or more Participants.

I. DEFINITIONS

1.01 "**Account**" means the account the Employer establishes under the Plan for each Participant and, as applicable, means a Participant's Elective Deferral Account, Nonelective Contribution Account or Matching Contribution Account.

1.02 "**Account Balance Plan**" means an Elective Deferral Account Balance Plan or an Employer Contribution Account Balance Plan, or a combination of both, as the Employer elects in its Adoption Agreement.

(A) Elective Deferral Account Balance Plan. An Elective Deferral Account Balance Plan is a plan comprised of an Elective Deferral Account as described under Treas. Reg. §1.409A-1(c)(2)(i)(A).

(B) Employer Contribution Account Balance Plan. An Employer Contribution Account Balance Plan is a plan comprised of Employer Nonelective Contribution Accounts, Matching Contribution Accounts, or both, as described under Treas. Reg. §1.409A-1(c)(2)(i)(B).

1.03 "**Accrued Benefit**" means the total dollar amount credited to a Participant's Account.

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1.04 **“Adoption Agreement”** means the document the Employer executes to establish the Plan and includes all Exhibits and other documents referenced therein.

1.05 **“Aggregated Plans”** means this Plan and any other like-type plan of the Employer in which a given Participant participates and as to which the Plan (see Sections 2.02(B)(2) and 6.03(B)) or Treas. Reg. §1.409A-1 (c)(2) requires the aggregation of all such nonqualified deferred compensation in applying Code §409A. For this purpose, the following rules apply:

(A) **Participants in Separate Plans.** The plan for a Participant is treated as a separate plan from the plan for any other Participant, even though such plans may be incorporated into a single written plan in this Plan and covering all Participants.

(B) **Plan Types.** The following plans under clauses (i), (ii) and (iii) are not “like-type plans” and are treated as separate from each other: (i) all Elective Deferral Account Balance Plans (including for aggregation purposes only, Separation Pay Plans based on Voluntary Separation from Service); (ii) all Employer Contribution Account Balance Plans (including for aggregation purposes only, Separation Pay Plans based on Voluntary Separation from Service); and (iii) all Separation Pay Plans based on Involuntary Separation from Service or under a Window Program.

(C) **Dual Status.** If a Participant in two like-type plans participates in one plan as an Employee and in the other as a Contractor, the plans are not Aggregated Plans. If an Employee also serves on the Employer’s board of directors (or in a similar capacity with regard to a non-corporate entity) and participates in like-type plans but participates in one plan as an Employee and in the other as a director (or similar capacity with regard to a non-corporate entity) [a “director plan”], the plans are not Aggregated Plans provided that the director plan is substantially similar to a plan the maintains for non-employee directors. If the director plan is not substantially similar, for purposes of aggregation, the director plan is treated as a plan for Employees. Director plans and plans for Contractors are subject to aggregation under this Section 1.05.

1.06 **“Applicable Guidance”** means as the context requires Code §§83,409A and 457, Treas. Reg. §1.83, Treas. Reg. §§1.409A-1 through -6, Treas. Reg. §1.457-11, or other written Treasury or IRS guidance regarding or affecting Code §§83, 409A or 457(f), including, as applicable, any Code §409A guidance in effect prior to January 1, 2008.

1.07 **“Base Salary”** means a Participant’s Compensation consisting only of regular salary and excluding any other Compensation.

1.08 **“Basic Plan Document”** means this Nonqualified Deferred Compensation Plan document.

1.09 **“Beneficiary”** means the person or persons entitled to receive Plan benefits in the event of a Participant’s death.

1.10 **“Bonus”** means a Participant’s Compensation consisting only of bonus and excluding any other Compensation. A Bonus also may be Performance-Based Compensation under Section 1.37.

1.11 **“Change in Control”** means, as to an Employer which is a corporation, a change: (i) in the ownership of the Employer (acquisition by one or more persons acting as a group of more than 50% of the total voting power or fair market value of the Employer); (ii) in the effective control of the Employer (acquisition or acquisition during a 12-month period ending on the date of the latest acquisition, by one or more persons acting as a group of 30% or more of the total voting power of the Employer or replacement of a majority of the members of the board of directors of the Employer [described below, but including only the entity for which no other corporation is a majority shareholder] during any 12-month period by directors not endorsed by a majority of the board before the appointment or election); or (iii) in the ownership of a substantial portion of the assets of the Employer (acquisition or acquisition during a 12-month period ending on the date of the latest acquisition, by one or more persons [other than related persons described in Treas. Reg. §1.409A-3(iX5)(vii)(B)] acting as a group of assets with a total gross fair market value of 40% or more of the total gross fair market value of all assets of the Employer immediately before such acquisition or acquisitions), each within the meaning of Treas. Reg. §1.409A-3(i)(5) or in Applicable Guidance. For this purpose, the Employer includes the Employer, the corporation which is liable for the payment of the Deferred Compensation, a majority shareholder (more than 50% of total fair market value and voting

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power) of the foregoing or a corporation in a chain of corporations in which each is a majority owner of another corporation in the chain, ending in the Employer or in the corporation that is liable for payment of the Deferred Compensation, all in accordance with Treas. Reg. § 1.409A-3(i)(5)(ii). An event constituting a Change in Control must be objectively determinable and any certification thereof by the Employer or its agents may not subject to the discretion of such person. For purposes of applying this Section 1.11, stock ownership is determined in accordance with Code § 318(a) as modified under Treas. Reg. § 1.409A-3(i)(5)(iii). The Employer in its Adoption Agreement will elect whether a Change in Control includes any or all the events described in clauses (i), (ii) or (iii) and also may elect to increase the percentage change required under any such event to constitute a Change in Control. Pending the issuance of Applicable Guidance as to the application of the Change in Control provisions to partnerships (or other non-corporate entities), if the Employer elects in its Adoption Agreement to permit Change in Control as a payment event, the Employer will apply clauses (i) and (iii) and clause (ii) as it relates to a change in the composition of the board of directors by analogy in accordance with Treas. Reg. § 1.409A, Preamble, II.G.

1.12 **“Change in the Employer’s Financial Health”** means an adverse change in the Employer’s financial condition as described in Applicable Guidance.

1.13 **“Code”** means the Internal Revenue Code of 1986, as amended.

1.14 **“Commissions”** means Compensation or portions of Compensation consisting of Sales Commissions or of Investment Commissions. See Section 2.02(B)(5).

(A) **Sales Commissions.** Sales Commissions means Compensation or portions of Compensation a Participant earns if: (i) a substantial portion of Participant’s services to the Employer consists of the direct sale of a product or a service to a customer that is not related or treated as related to the Employer or to the Participant (under Treas. Reg. §§ 1.409A-1 (f)(2)(ii) and (iv)); (ii) the Compensation the Employer pays to the Participant consists either of a portion of the purchase price for the product or service or of an amount substantially all of which is calculated by reference to volume of sales; and (iii) payment is either contingent upon the Employer receiving payment from an unrelated customer (as described in clause (i) above) for the product or services or, if consistently applied as to all similarly situated service providers, is contingent upon the closing of a sales transaction and such other requirements as the Employer may specify before the closing of the sales transaction.

(B) **Investment Commissions.** Investment Commissions means Compensation or portions of Compensation a Participant earns if: (i) a substantial portion of the Participant’s services to the Employer to which the Compensation relates consists of sales of financial products or other direct customer services to a customer that is not related or treated as related to the Employer or to the Participant (under Treas. Reg. §§ 1.409A-1(f)(2)(ii) and (iv)) as to customer assets or customer asset accounts; (ii) the customer retains the right to terminate the relationship and to move or liquidate the assets or asset accounts without undue delay (but subject to a reasonable notice period); (iii) the Compensation is based on a portion of the value of the overall assets or asset account balance, substantially all of the Compensation is calculated by reference to the increase in value of the overall assets of account balance, or both; and (iv) the value of the overall assets or account balance and Investment Commissions are determined at least annually.

(C) **Related Customer Commissions.** This Section 1.14 also applies to Sales Commissions and to Investment Commissions involving a related customer provided: (i) the Employer as to unrelated customers makes substantial sales or provides substantial services giving rise to Commissions; and (ii) the sales, service and Commission arrangements with the related customer are bona fide, arise from the Employer’s ordinary course of business and are substantially the same, in terms and in practice, as those terms and practices that apply to unrelated customers to which substantial sales are made or substantial services are rendered.

1.15 **“Compensation”**

(A) **Employees.** Compensation means as to an Employee, gross W-2 compensation. “W-2 Compensation” means wages for federal income tax withholding purposes, as defined under Code § 3401(a), plus all other payments to an Employee in the course of the Employer’s trade or business, for which the Employer must furnish the Employee a written statement under Code §§ 6041, 6051 and 6052, disregarding any rules limiting the remuneration included as wages under this definition based on the nature or location of

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the employment or service performed. "Gross W-2 compensation" means W-2 compensation plus all amounts excludible from a Participant's gross income under Code §§ 125, 132(f)(4), 402(e)(3), 402(h)(2), 403(b), and 408(p), contributed by the Employer, at the Participant's election, to a cafeteria plan, a qualified transportation fringe benefit plan, a 401(k) arrangement, a SEP, a tax sheltered annuity, or a SIMPLE plan.

(B) **Contractors.** Compensation as to a Contractor means all payments by the Employer to the Contractor for services during a Taxable Year.

(C) **Modifications.** The Employer in its Adoption Agreement will elect whether to modify the definition of Compensation. The Employer may modify the definition of Compensation or may specify a different definition of Compensation either as to Employees, as to Contractors or both.

1.16 "**Contractor**" means a person or entity providing services to the Employer (not as an Employee) as described in Treas. Reg. § 1.409A-1(f)(1) and which for any Taxable Year of the Contractor that the Contractor is on the cash receipts and disbursements method of accounting for Federal income tax purposes. A person serving on a board of directors is a Contractor as to Compensation for such service without regard to whether the person is an Employee for other purposes. A Contractor is not subject to this Plan or to Code § 409A if in the Taxable Year in which the Legally Binding Right to Compensation arises: (i) the Contractor is actively engaged in the trade or business of performing services other than as an Employee or as a director (or similar position as to a non-corporate Employer); (ii) the Contractor provides significant services to the Employer and to at least 2 other unrelated service recipients, where the Contractor, the Employer and the other service recipient(s) are all unrelated to each other within the meaning of Treas. Reg. §§ 1.409A-1(f)(2)(i)(B) and (C) as applicable; and (iii) the services are not "management services" within the meaning of Treas. Reg. § 1.409A-1(f)(2)(iv). For purposes of clause (ii) "significant services" means as described in Treas. Reg. § 1.409A-1(f)(2)(iii). This Plan and Code § 409A also do not apply to certain other "related" Contractor services as described in Treas. Reg. § 1.409A-1(f)(2)(v).

1.17 "**Disability**" except as the Plan otherwise provides means a condition of a Participant who by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months: (i) is unable to engage in any substantial gainful activity; or (ii) is receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering Employees. The Employer in its Adoption Agreement will elect whether Disability includes all impairments constituting Disability under this Section 1.17, or only certain specified Disabilities which satisfy the foregoing definition. The Employer will determine whether a Participant has incurred a Disability based on its own good faith determination and may require a Participant to submit to reasonable physical and mental examinations for this purpose. A Participant will be deemed to have incurred a Disability if: (i) the Social Security Administration or Railroad Retirement Board determines that the Participant is totally disabled; or (ii) the applicable insurance company providing disability insurance to the Participant under an Employer sponsored disability program determines that a Participant is disabled under the insurance contract definition of disability, provided such definition complies with the definition in this Section 1.17.

1.18. "**Deferred Compensation**" means the Participant's Account Balance attributable to Elective Deferrals and Employer Contributions and includes Earnings on such amounts except where the Plan otherwise provides. "Compensation Deferred" is Compensation that the Participant or the Employer has deferred under this Plan. Compensation is Deferred Compensation if: (i) under the terms of the Plan and the relevant facts and circumstances, the Participant has a Legally Binding Right to Compensation during a Taxable Year that the Participant has not actually or constructively received and included in gross income; and (ii) pursuant to the Plan terms, the Compensation is or may be payable to or on behalf of the Participant in a later Taxable Year. Deferred Compensation includes Separation Pay paid pursuant to a Separation Pay Plan except as otherwise described in Treas. Reg. § 1.409A-1(b)(9) relating to certain excluded Involuntary or Voluntary Separation from Service or Window Programs and certain reimbursements, medical benefits, in-kind benefits and limited payments. Deferred Compensation excludes certain "short-term deferrals" and all other items described in Treas. Reg. §§ 1.409A-1(b)(3), (4), (5), (6), (8), (10), (11) and (12) or in other Applicable Guidance.

1.19 "**Earnings**" means earnings, gain or loss applicable to a Participant's Account provided that such amounts reflect actual predetermined investments or notional amounts which do not exceed a reasonable rate of interest. Amounts credited to an Account

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that do not reflect actual predetermined investments or a reasonable rate of interest are Deferred Compensation and are not Earnings. For purposes of making the determination of whether an amount is Earnings or is Deferred Compensation, the principles of Treas. Reg. § 31.3121(v)(2)-1(d)(2) apply.

1.20 **“Effective Date”** of the Plan is the date the Employer specifies in the Adoption Agreement, but which is not earlier than January 1, 2008. If this Plan restates a Plan (written or otherwise) which was in effect before January 1, 2008, for periods before January 1, 2008, as to 409A Amounts, the standards and transition rules in effect under Notices 2006-79, 2006-64, 2003- 33, 2006-4, Prop. Treas. Reg. § 1.409A, Preamble, Section XI and Notice 2005-1 apply. See also the Treas. Reg. § 1.409A Preamble, Section XII as to the treatment of certain actions which were in compliance with Applicable Guidance in effect before the issuance of such 409A Regulations on April 17, 2007, but which are not in compliance with such Regulations.

1.21 **“Elective Deferral”** means Compensation a Participant elects to defer into the Participant’s Account under the Plan.

1.22 **“Elective Deferral Account”** means the portion of a Participant’s Account attributable to Elective Deferrals and Earnings thereon.

1.23 **“Employee”** means a person providing services to the Employer as a common law employee (and not as a Contractor) as described in Treas. Reg. § 1.409A-1(f)(1) and who, for any Taxable Year of the Employee, is on the cash receipts and disbursements method of accounting for Federal income tax purposes.

1.24 **“Employer”** means the person or entity: (i) receiving the services of the Participant (even if another person pays the Deferred Compensation); (ii) with respect to whom the Legally Binding Right to Compensation arises; and (iii) who or which executes an Adoption Agreement establishing the Plan. The Employer includes all persons with whom the Employer would be considered a single employer under Code § 414(b) or (c). In the case of an Ineligible 457 Plan, Employer means a State or a Tax- Exempt Organization. For purposes of this Plan, “Employer” means “service recipient” as that term is used in Treas. Reg. § 1.409A-1 through -6.

1.25 **“Employer Contribution”** means amounts the Employer contributes or credits to an Account under the Plan, including Nonelective Contributions and Matching Contributions but not including Elective Deferrals.

1.26 **“Employer Contribution Account”** means the portion of a Participant’s Account attributable to Employer Contributions and Earnings thereon.

1.27 **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

1.28 **“409A Amount”** means: (i) any Compensation Deferred prior to January 1, 2005, unless such Deferred Compensation is a Grandfathered Amount; and (ii) any Compensation Deferred in Taxable Years beginning after December 31, 2004. In determining 409A Amounts, the rules of Section 1.05 regarding Aggregated Plans apply.

1.29 **“Grandfathered Amount”** means an amount of Deferred Compensation hereunder as to which, prior to January 1, 2005, a Participant: (i) had a Legally Binding Right to be paid Deferred Compensation; and (ii) was Vested. However, if the Employer after October 3, 2004, materially modifies the Plan as described in Treas. Reg. 1.409A-6(a)(4), then such amount ceases to be a Grandfathered Amount. In determining Grandfathered Amounts, the rules of Section 1.05 regarding Aggregated Plans apply.

1.30 **“Ineligible 457 Plan”** means this Plan which is subject to Code § 457(f) and that is not an eligible 457 plan under Code § 457(b).

1.31 **“Legally Binding Right”** means, in reference to Compensation, the grant by the Employer to the Participant of an enforceable right (under contract, statute or other applicable law) to Compensation where, after the Participant has performed the services which created the Legally Binding Right, the Compensation is not subject to unilateral reduction or elimination by the

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Employer or any other person. The Employer, based on the facts and circumstances and in accordance with Treas. Reg. § 1.409A-1(b)(1), will determine: (i) whether a Legally Binding Right exists; or (ii) whether a Legally Binding Right does not exist on account of the existence of negative discretion which has substantive significance to reduce or eliminate the Compensation. Negative discretion does not exist where the Participant has effective control over the person with the negative discretion, has effective control over any portion of compensation of the decision maker or is a family member of the decision maker (within the meaning of Code § 267(c)(4) applied as if the family of an individual includes the spouse of any member of the family). Compensation is not subject to unilateral reduction or elimination merely because: (i) it may be reduced or eliminated by operation of objective Plan terms, such as a Substantial Risk of Forfeiture; (ii) the Compensation is determined under a formula that provides for an offset based on benefits provided under another plan, including a qualified plan; or (iii) benefits are reduced on account of actual or notional investment losses, or, in a final average pay plan, because of subsequent decreases in compensation.

1.32 **“Matching Contribution”** means a fixed or discretionary Employer contribution made with respect to a Participant’s Elective Deferral.

1.33 **“Matching Contribution Account”** means the portion of a Participant’s Account attributable to Matching Contributions and Earnings thereon.

1.34 **“Nonelective Contribution”** means a fixed or discretionary Employer Contribution that is unrelated to a Participant’s Elective Deferrals.

1.35 **“Nonelective Contribution Account”** means the portion of a Participant’s Account attributable to Nonelective Contributions and Earnings thereon.

1.36 **“Participant”** means an Employee or Contractor the Employer designates under Adoption Agreement Section 2.01 or in Exhibit “B” to the Adoption Agreement to participate in the Plan. For purposes of this Plan, “Participant” means a “service provider” as that term is used in Treas. Reg. 1.409A-1 through-6, who is a participant in the Plan. A reference herein to “service provider” means another service provider to the Employer, whether or not that person is a Participant.

1.37 **“Performance-Based Compensation”** means Compensation (including a Bonus) where the amount of, or entitlement to, the Compensation is contingent on satisfaction of preestablished organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. The Employer must establish the organizational or individual performance criteria in writing not later than 90 days after commencement of the performance period and the outcome must be substantially uncertain at the time that the Employer establishes the performance criteria. The Employer may establish performance criteria without the necessity of action by its shareholders, board of directors, compensation committee or similar entities in the case of a non-corporate Employer. Performance-Based Compensation does not include any amount that will be paid regardless of performance or that will be paid based on a level of performance that is substantially certain to be met at the time the criteria are established. If the Plan will pay the Participant’s Performance-Based Compensation in the event of the Participant’s death or disability or if a Change in Control occurs, without regard to whether the performance criteria have been satisfied, the Compensation is not Performance-Based Compensation (and therefore is not entitled to the election timing under Section 2.02(B)(4)) if payment occurs as a result of any of such events. “Disability” for purposes of this Section 1.37 means any medically determinable physical or mental impairment resulting from the Participant’s inability to perform the duties of his/her position or of any substantially similar position, where such impairment can be expected to result in death or to last for a continuous period of not less than 6 months. Performance-Based Compensation does not include an amount of Compensation which is based on a specified number of shares of stock multiplied by the share price at the end of the performance period, but may include an amount of Compensation based on an increase in share price over the performance period or which is not payable unless the share price is at or above a specified price. Performance-Based Compensation may be based on subjective performance criteria provided: (i) the criteria are bona fide and relate the Participant’s performance, a group of service providers that includes the Participant or a business unit for which the Participant provides services which may include the Employer; and (ii) the person who decides whether the subjective performance criteria have been met is someone other than the Participant, the Participant’s family member (within the meaning of Code § 267(c)(4) applied as if the family of an individual includes the spouse of any member of the family), or a person under the effective control of the Participant or such a

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family member. In addition, the decision maker's compensation may not be controlled in whole or in part by the Participant or such a family member. The Employer will determine the status of Compensation as Performance-Based Compensation in accordance with Treas. Reg. § 1.409A-1(e) and Applicable Guidance.

1.38 **"Plan"** means the Nonqualified Deferred Compensation Plan of the Employer established by and including the Adoption Agreement, the Basic Plan Document, the Trust, if any, and all notices, forms, elections and other written documentation to which the Plan refers. The Employer will set forth the name of the Plan in its Adoption Agreement. For purposes of applying Code § 409A requirements this Plan, as the Employer elects in its Adoption Agreement, is an Elective Deferral Account Balance Plan, an Employer Contribution Account Balance Plan or both, or is a Separation Pay Plan. This Plan does not constitute: (i) a Code § 401(a) plan with and exempt trust under Code § 501(a); (ii) a Code § 403(a) annuity plan; (iii) a Code § 403(b) annuity; (iv) a Code § 408(k) SEP; (v) a Code § 408(p) Simple IRA; (vi) a Code § 501(c)(18) trust to which an active participant makes deductible contributions; (vii) a Code § 457(b) plan; or (viii) a Code § 415(m) plan.

1.39 **"Retirement Age"** means the date (if any) the Employer elects in the Adoption Agreement.

1.40 "Separation from Service"

(A) Employees. Separation from Service means in the case of an Employee, the Employee's termination of employment with the Employer whether on account of death, retirement, Disability or otherwise.

(1) Insignificant or Significant Service/Presumptions. The Employer will determine whether an Employee has terminated employment (and incurred a Separation from Service) based on whether the facts and circumstances as described in Treas. Reg. § 1.409A-1(h)(1)(ii). An Employee incurs a Separation from Service if the parties reasonably anticipate, based on the facts and circumstances, the Employee will not perform any additional services after a certain date or that the level of bona fide services (whether performed as an Employee or as a Contractor) will permanently decrease to no more than 20% of the average level of bona fide services performed (whether performed as an Employee or as a Contractor) over the immediately preceding 36-month period (or, if less, the period the employee has rendered service to the Employer) ("average prior service"). An Employee is presumed to have incurred a Separation from Service if the Employee's service level decreases to 20% or less than the average prior service and an Employee is presumed to not have incurred a Separation from Service if the Employee's service level continues at a rate which is 50% or more of the average prior service. No presumption applies where the Employee's service level is more than 20% and less than 50% of the average prior service.

(2) Effect of Leave. An Employee does not incur a Separation from Service if the Employee is on military leave, sick leave, or other bona fide leave of absence if such leave does not exceed a period of 6 months, or if longer, the period for which a statute or contract provides the Employee with the right to reemployment with the Employer. If a Participant's leave exceeds 6 months but the Participant is not entitled to reemployment under a statute or contract, the Participant incurs a Separation from Service on the next day following the expiration of 6 months. A leave of absence constitutes a bona fide leave of absence for this Section 1.40 only if there is a reasonable expectation that the Employee will return to perform services for the Employer. Where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of at least 6 months, and where the Participant cannot perform his/her duties or the duties of any substantially similar position, in determining when a Separation from Service occurs, the above 6 month period is 29 months unless the Employer or the Employee terminate the leave sooner. For purposes of determining average prior service under Section 1.40 (A)(1), during a paid leave of absence which is not a Separation From Service, the Employee is treated as rendering bona fide services at a level that would have been required to earn the amount paid during the leave. If the leave of absence is unpaid, the leave period is disregarded in determining average prior service.

(3) Alternative Definition. In lieu of applying Section 1.40(A)(1), the Employer or Participant in an initial payment election or in a change payment election may elect a percentage of reduced bona fide services resulting in a Separation from Service which percentage must be greater than 20% and less than 50% of prior average service, determined over the immediately preceding 36 months.

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(B) Contractors. Separation from Service, in the case of a Contractor, means the expiration of the contract (or all contracts) under which the Contractor performs services for the Employer provided that the expiration constitutes a good-faith and complete termination of the contractual relationship between the Contractor and the Employer. A good-faith and complete termination does not occur if the Employer anticipates a renewal of the service contract or the Employer anticipates the Contractor becoming an Employee. The Employer anticipates the renewal of the contract if the Employer intends to contract again for the services provided under the expired contract and neither the Employer nor the Contractor has eliminated the Contractor as a possible provider of such additional services. The Employer is deemed to intend renewal of the Contractor's expired contract if renewal is conditioned only upon incurring a need for services, the Employer's ability to pay for the services, or both. See Section 4.01(E) as to Contractor "deemed" Separation from Service provisions.

(C) Involuntary Separation from Service (including for "good reason"). "Involuntary Separation from Service" means a Separation from Service due to the Employer's independent exercise of unilateral authority to terminate the Participant's services (other than due the Participant's implicit or explicit request), where the Participant was willing and able to continue performing services for the Employer. Involuntary Separation from Service may include the Employer's failure to renew the service contract at the time the contract expires provided that the Participant was willing and able to execute a new contract on substantially the same terms and conditions as the expiring contract and to continue providing such services. The Employer will make the determination as to whether an Involuntary Separation from Service has occurred based on all of the facts and circumstances and in accordance with Treas. Reg. § 1.409A-1(n). For this purpose, a Participant's voluntary Separation from Service is treated as an Involuntary Separation from Service if it is for "good reason" as described in Treas. Reg. §§ 1.409A-1(n) (2). For this purpose, the Separation from Service is deemed to be for a good reason if it occurs during a limited period not to exceed 2 years following the initial existence of the following without the Participant's consent: (i) a material reduction in the Participant's base compensation (including Base Salary); (ii) a material reduction in the Participant's authority, duties or responsibilities; (iii) a material reduction in the authority, duties or responsibilities of the Participant's supervisor, including a change in the Participant's reporting responsibilities to a lower level than the board of directors or similar authority in a non-corporate entity; (iv) a material reduction in the Participant's budget; (v) a material change in the location at which the Participant renders service; or (vi) any other action or inaction that constitutes the Employer's material breach of the agreement under which the Participant provides services to the Employer. In addition, to be a deemed "good reason" the amount, time and form of payment upon Separation from Service must be substantially identical to the amount payable upon an actual Involuntary Separation from Service, if such right exists, and the Participant must provide notice to the Employer within 90 days of the initial existence of the condition and afford the Employer at least 30 days to remedy the condition without having to pay the Compensation.

(D) Voluntary Separation from Service. "Voluntary Separation from Service" means a Separation from Service which is not an Involuntary Separation from Service under Section 1.40(C).

(E) "Employer" for Purposes of Separation Rules. The "Employer" for purposes of applying this Section 1.40 (determining Separation from Service under the Plan) means as defined under Section 1.24 but by applying 50% in lieu of 80% in applying Code §§ 414(b) and (c). The Employer in lieu of applying the previous sentence may elect in its Adoption Agreement to use a percentage equal to not less than 20% and not more than 80% in determining related employers under Code §§ 414(b) and (c); provided that the Employer may not elect to apply a percentage which is less than 50% unless there are legitimate business criteria for doing so.

(F) Dual Capacity. If a Participant renders service to the Employer both in the capacity as an Employee and as a Contractor (or changes status from Employee to Contractor or vice versa), the Participant must incur a Separation from Service in both capacities to constitute a Separation from Service. For this purpose, if a Participant renders service both as an Employee and as a member of the Employer's board of directors (or an analogous position in the case of a non-corporate Employer) the director services (or the Employee services if this Plan relates to director services) are disregarded in determining whether the Participant has incurred a Separation from Service as to this Plan provided that the plans are not Aggregated Plans.

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(G) **Certain Asset Sales.** In accordance with and subject to Treas. Reg. §1.409A-1(h)(4), if the Employer sells its assets to an unrelated party purchaser where the Participants otherwise would incur a Separation from Service and where such Participants will provide services to the purchaser after the sale closing, the Employer and the purchaser retain discretion no later than the asset sale closing date to specify in writing whether the Participants will incur a Separation from Service. In making such determination, the Employer and the purchaser must treat all affected Participants consistently.

(H) **Collectively Bargained Multiple Employer Plan.** If the Plan is established pursuant to a bona fide collective bargaining agreement covering services rendered for multiple employers, the Employer (which for this purpose means the employer which executes the Adoption Agreement) in its Adoption Agreement may elect to define Separation from Service in a reasonable manner that treats an Employee as not having separated during periods in which the Employee is not providing services but is available to do so for one or more employers. However, such alternative definition must also provide that the Employee is deemed to have incurred a Separation from Service at a specified date not later than the end of any period of at least 12 consecutive months during which time the Employee has not provided any service covered by the collective bargaining agreement to any participating employer. The Employer will apply this section in accordance with the requirements of Treas. Reg. §1.409A-1(h)(6).

1.41 **“Separation Pay”** means any Deferred Compensation (applied before application of any exclusion applicable to Separation Pay Plans under Treas. Reg. §1.409A-1(b)(9)) that will not be paid under any circumstances unless the Participant incurs a Separation from Service, whether voluntary or involuntary, including payments in the form of reimbursements for expenses incurred and provision of in-kind benefits. Deferred Compensation that a Participant may receive without incurring a Separation from Service is not Separation Pay merely because the Participant elects to receive or receives payment upon or after Separation from Service. Deferred Compensation does not fail to constitute Separation Pay merely because the Participant must execute a release of claims, noncompetition agreement or nondisclosure agreement or is subject to similar requirements. Any amount or entitlement that acts as a substitute for, or replacement of, Deferred Compensation is a payment of Deferred Compensation and is not Separation Pay.

1.42 **“Separation Pay Plan”** means any plan that provides for Separation Pay, including the portion of any plan that provides for Separation Pay, under Treas. Reg. §§1.409A-1(m). The Employer in its Adoption Agreement will elect whether this Plan is a Separation Pay Plan and will elect whether the plan pays benefits in the event of Involuntary Separation from Service, Voluntary Separation from Service, pursuant to a Window Program or a combination thereof.

1.43 **“Service Year”** means a Participant’s Taxable Year in which the Participant performs services which give rise to Compensation. A “service period” or “performance period” means a Service Year or such other period in which a Participant performs services for the Employer giving rise to Compensation.

1.44 **“Specified Employee”** means a Participant who is a key employee as described in Code §416(i)(1)(A), disregarding paragraph (5) thereof and using compensation as defined under Treas. Reg. §1.415(c)-2(a). However, a Participant is not a Specified Employee unless any stock of the Employer is publicly traded on an established securities market or otherwise and the Participant is a Specified Employee on the date of his/her Separation from Service. If a Participant is a key employee at any time during the 12 months ending on the Specified Employee identification date, the Participant is a Specified Employee for the 12 month period commencing on the Specified Employee effective date. The Specified Employee identification date is December 31. The Specified Employee effective date is the April 1 following the Specified Employee identification date. The Employer, in determining whether this Section 1.44 and all related Plan provisions apply, will determine whether the Employer has any publicly traded stock as of the date of a Participant’s Separation from Service. In the case of certain corporate transactions (a merger, acquisition, spin-off or initial public offering), or in the case of nonresident alien Employees, the Employer will apply the Specified Employee provisions of the Plan in accordance with Treas. Reg. §1.409A-1(i) and other Applicable Guidance. Notwithstanding the foregoing, the Employer in its Adoption Agreement, and in accordance with Treas. Reg. §1.409A-1(i) and other Applicable Guidance, may make the following elections: (i) use of any Code §415 definition of compensation for Specified Employee determination; (ii) designation of an alternative Specified Employee identification date; (iii) designation of an alternative Specified Employee effective date; (iv) use of an alternative method to identify Participants who will be subject to the 6 month delay rule in Section 4.01(D); (v) certain elections in the context of corporate transactions; and (vi) certain elections regarding nonresident alien Employees. The Employer’s election

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under clauses (ii) or (iii) regarding an identification date or effective date made on or before December 31, 2007. applies to any Separation from Service occurring on or after January 1, 2005, unless the Employer subsequently changes the identification date and/or effective date. Such elections are effective as of the date that all necessary corporate action has been taken to make the election binding as to all nonqualified deferred compensation plans in which service providers of the Employer who would become a Specified Employees participate. The Employer must apply all such elections consistently as to all service providers. The Employer will apply the Specified Employee provisions of the Plan, including the elections described in this Section 1.44, in accordance with Treas. Reg. §1.409A-1(i) and other Applicable Guidance.

1.45 **“Specified Time or Fixed Schedule”** means, in reference to a payment of Deferred Compensation, the Employer, at the time of the deferral of the Compensation can objectively determine: (i) the amount payable; and (ii) the payment date or dates. An amount is objectively determinable if the deferral election specifically identifies the amount or if the Employer can determine the amount at the time it is due pursuant to an objective, nondiscretionary formula specified at the time of deferral.

(A) **Dates and Period(s)**. A payment is scheduled to occur at a specified time if it is a lump sum payment on a specific date, or a specific, objectively determinable date, including following the lapse of a substantial risk of forfeiture. A payment is scheduled to occur on a fixed schedule if it is a series of payments (which may include an annuity or a series of installments) payable on specific dates or on specifically, objectively determinable dates including following the lapse of a substantial risk of forfeiture. The designation of a Taxable Year of the Participant, or a defined period within a Taxable Year of the Participant, in which payment will occur is adequate designation of a specific date. For purposes of Sections 4.02 and 4.05, if the date specified is only a designated Taxable Year of the Participant, or a period of time during such a Taxable Year, the date specified under the plan is treated as the first day of such Taxable Year or the first day of the period of time, as applicable.

(B) **Limitations and Link to Employer Receipts**. A Fixed Schedule may include certain: (i) limitations on the amount payable at a specified time of during a specified period expressed either as a stated limit or based on an objective nondiscretionary formula; and (ii) payment schedules based on the timing of payments received by the Employer as described in Treas. Reg. §§1.409A-3(i)(1)(ii) and (iii) and other Applicable Guidance.

(C) **Tax Gross-Up Payments**. A Specified Time or Fixed Schedule may include tax gross-up payments made by the end of the Participant’s Taxable Year which follows the Taxable Year in which the Participant remits the related taxes resulting from compensation paid or made available to the Participant by the Employer, as described in Treas. Reg. §1.409A-3(i)(1)(v) and other Applicable Guidance.

1.46 **“State”** means: (i) one of the fifty states of the United States or the District of Columbia, or (ii) a political subdivision of a State, or any agency or instrumentality of a State or its political subdivision. A State does not include the federal government or an agency or instrumentality thereof.

1.47 “Substantial Risk of Forfeiture”

(A) **409A Amounts**. Substantial Risk of Forfeiture means as to 409A Amounts, and other than for purposes of application of Code §457(f), Compensation which is payable conditioned: (i) on the performance of substantial future services by any person including the Participant; or (ii) on the occurrence of a condition related to a purpose of the Compensation, and where under clause (i) or (ii) the possibility of forfeiture is substantial. A condition related to the purpose of the Compensation relates to the Participant’s performance for the Employer or to the Employer’s business activities or organizational goals. A Substantial Risk of Forfeiture includes conditioning payment on the Participant’s Involuntary Separation from Service without cause provided the possibility of not incurring such a Separation from Service is substantial. Except as to payment of Compensation related to a Change in Control, a Substantial Risk of Forfeiture does not include any addition of a condition after a Legally Binding Right to the Compensation arises or any extension of a period during which the Compensation is subject to a Substantial Risk of Forfeiture. Compensation is not subject to a Substantial Risk of Forfeiture merely because payment is conditioned on the Participant’s refraining from performing services. Compensation is not subject to a Substantial Risk of Forfeiture beyond the date or time that the Participant otherwise could

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have elected to receive the Compensation unless the present value of the amount subject to the Substantial Risk of Forfeiture (determined without regard to the Substantial Risk of Forfeiture) is materially greater than the present value of the amount that the Participant otherwise could have elected to receive, absent the Substantial Risk of Forfeiture. As such, a Participant's Elective Deferrals generally may not be made subject to a Substantial Risk of Forfeiture if the Participant could have elected to receive an equivalent amount in cash. In addition, Compensation the Participant would receive for continuing to perform service for the Employer (such as through the extension of an employment contract) is disregarded in determining whether the present value of such nonvested payment amount is materially greater than the Compensation which the Participant could have elected to receive presently. In determining whether the possibility of forfeiture is substantial in the case of rights to Compensation granted to a Participant who owns significant voting power or value in the Employer, the Employer in accordance with Treas. Reg. §1.409A-1(d)(3) and Applicable Guidance, will take into account all relevant facts and circumstances.

(B) **Grandfathered Amounts.** A Substantial Risk of Forfeiture for Grandfathered Amounts is defined in Treas. Reg. §1.83-3(c) and in Notice 2005-1, Q/A-16(b) or in Applicable Guidance.

(C) **Ineligible 457 Plan.** A Substantial Risk of Forfeiture for purposes of application of Code §457(f) under an Ineligible 457 Plan is described in Code §457(f)(3)(B), Treas. Reg. §1.83-3(c) and Applicable Guidance.

1.48 **"Tax-Exempt Organization"** means any tax-exempt organization other than: (i) a governmental unit; or (ii) a church or a qualified church-controlled organization within the meaning of Code §§3121(w)(3)(A) and 3121(w)(3)(B).

1.49 **"Taxable Year"** means as to the Participant, the Participant's taxable year and means as to the Employer, the Employer's taxable year, in each case as the Plan provides or as the context otherwise requires.

1.50 **"Trust"** means the trust, if any, described in Section 5.03 of the Basic Plan Document and which the Employer in its Adoption Agreement elects to create.

1.51 **"Unforeseeable Emergency"** means: (i) a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, a Beneficiary or the Participant's dependent (as defined in Code §152 but without regard to Code §§152(b)(1), (b)(2) and (d)(1)(B)); (ii) loss of the Participant's property due to casualty; or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control. The Employer in its Adoption Agreement will elect whether to permit payment based on a Participant's Unforeseeable Emergency. The Employer will determine whether a Participant incurs an Unforeseeable Emergency based on the relevant facts and circumstances and in accordance with Treas. Reg. §1.409A-3(i)(3) or Applicable Guidance, but in any case, the Plan may not make payment to the extent that the Unforeseeable Emergency may be relieved: (i) through reimbursement or compensation from insurance or otherwise; (ii) by liquidation of the Participant's assets to the extent that such liquidation of assets would not itself cause severe financial hardship; or (iii) by the Participant's cessation of Elective Deferrals under the Plan. The Plan must limit the amount of any payment based on Unforeseeable Emergency to the amount that is reasonably necessary to satisfy the emergency need, which may include amounts necessary to pay any Federal, state, local or foreign income taxes or penalties reasonably anticipated to result from the payment. The Employer in making the determination as to the amount of payment must take into account any additional Compensation available to the Participant upon cancellation of an Elective Deferral election under Section 4.03(D)(vii). However, the Employer in determining "necessity" may disregard amounts available as a hardship distribution or a loan from a qualified plan or as an unforeseeable emergency distribution from another nonqualified plan, regardless of whether such amount is 409A Amount or is a Grandfathered Amount. If the Employer in its Adoption Agreement elects to permit payment based on Unforeseeable Emergency, the Employer further will elect whether to permit payment based on all events that will constitute an Unforeseeable Emergency or to limit such events to a subset of specific events which will so qualify. The Employer will not pay a Participant any Deferred Compensation based an Unforeseeable Emergency unless the Participant requests such payment on a form the Employer provides for this purpose, the Employer determines that the payment would qualify under the Plan terms as being based on the Participant's Unforeseeable Emergency, and the Employer in its sole discretion otherwise approves the payment. Neither a Participant's request or failure to request an Unforeseeable Emergency payment nor the Employer's acceptance or rejection of such a request is a change payment election under Section 4.02(B).

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1.52 **“USERRA”** means the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended.

1.53 **“Valuation Date”** means the last day of each of the Employer’s Taxable Year and such other dates as the Employer may determine.

1.54 **“Vested”** means an amount of Deferred Compensation which is not subject to a Substantial Risk of Forfeiture or to a requirement to perform further services for the Employer. For purposes of determining whether an amount satisfies the vesting requirement for Grandfathered Amounts under Article VII, the definition of Substantial Risk of Forfeiture in Section 1.47(B) applies.

1.55 **“Window Program”** means a program the Employer establishes in connection with an impending Separation from Service to provide Separation Pay to separated Participants and which program is available only for a period of up to 12 months for Participants who separate during such period or who separate during such period under specified circumstances. A Window Program does not include a program the Employer establishes under which there is a pattern of repeated provision of similar Separation Pay in similar situations for substantially consecutive limited periods of time. Whether a recurrent program constitutes such a pattern depends upon all of the facts and circumstances, including whether the benefits are account of a specific event or condition, the degree to which the separation pay relates to the event or condition and whether the event or condition is temporary or discrete or is a permanent aspect of the Employer’s business.

1.56 **“Wraparound Election”** means as to a Participant who also is a participant in a 401(k) plan of the Employer, an election (or elections, if made separately) to defer compensation under both plans with the result that the Participant will achieve under the 401(k) plan, the maximum amount of elective deferrals and matching contributions, if any, as is permissible under the 401(k) plan terms and under Code §§402(g), 401(k)(3), 401(m), 415 and 414(v). For any Participant’s Taxable Year, the maximum amount of Elective Deferrals the Plan will transfer as to the Participant (and corresponding decrease in amounts of Compensation Deferred to this Plan) may not exceed the Code §402(g) limit (but increased by catch-up contributions under Code §414(v) for any year in which the Participant is catch-up eligible). For any Participant’s Taxable Year, the maximum amount of Matching Contributions the Plan will transfer as to the Participant (and corresponding decrease in amounts of Compensation Deferred to this Plan) may not exceed the maximum amount of matching contributions that would be provided under the 401(k) plan absent any plan-based restrictions which reflect Code limits on qualified plan contributions. Under a Wraparound Election, the Plan promptly following completion of 401(k) plan testing and within any time required under Applicable Guidance, will transfer from the Participant’s Account such Elective Deferrals and related Matching Contributions for the Taxable Year (but without Earnings thereon) as are consistent with the Wraparound Election, to the Participant’s account under the 401(k) plan to be held and administered in accordance with the 401(k) plan. Any remaining amounts not transferred to the 401(k) plan will remain in and be administered in accordance with this Plan. The Employer in its Adoption Agreement will specify whether a participant may make a Wraparound Election. A Participant will make a Wraparound Election subject to any timing requirements of Applicable Guidance and on a form the Employer provides for this purpose.

1.57 **“Year of Service”** means the requirements, if any, the Employer specifies in its Adoption Agreement.

II. PARTICIPATION

2.01 Participants Designated. The Employer will designate from time to time in its Adoption Agreement those Employees or Contractors (by name, job title or other classification) who are Participants in the Plan.

2.02 Elective Deferrals. The Employer will specify in its Adoption Agreement whether Participants may elect to make Elective Deferrals to their Accounts.

(A) Limitations. The Employer will specify in its Adoption Agreement any amount limitations or conditions applicable to Elective Deferrals.

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(B) Election Form and Timing. A Participant must make his/her Elective Deferral election on an election form the Employer provides for that purpose. The Participant must make the election no later than the latest of the applicable times specified below. The Employer in its Adoption Agreement will elect that a Participant must make and deliver his/her election to the Employer no later than: (i) such applicable time; or (ii) the number of days prior to such applicable time as the Employer sets forth in its Adoption Agreement. The Employer will disregard any Elective Deferral election which is not timely under this Section 2.02(B). See Section 6.04.

(1) General Timing Rule. Except as otherwise provided in this Section 2.02(B), a Participant must deliver to the Employer his/her Elective Deferral election regarding Service Year Compensation no later than the end of the Participant's Taxable Year which is prior to the Service Year.

(2) New Participant/New Plan. As to the Service Year in which an Employee or a Contractor first becomes a Participant (a "newly eligible Participant"), the Participant must make and deliver an Elective Deferral election for that Service Year not later than 30 days after the Employee or Contractor becomes a Participant. All Participants who are eligible to participate on the Effective Date of a new plan are newly eligible Participants as of the Effective Date.

(a) Participant status. For purposes of this Section 2.02(B)(2), an Employee or Contractor is eligible to participate in the Plan at any time during which, under the Plan terms and without further amendment or action by the Employer, the Employee or Contractor is eligible to accrue Deferred Compensation under the Plan (other than Earnings on prior Deferred Compensation), even if the Employee or Contractor has elected not to accrue any such Deferred Compensation (or has made no election).

(b) Changes in status. For purposes of this Section 2.02(B)(2), if a Participant has been paid all Deferred Compensation and on or before the last payment ceases to be eligible to participate in the Plan, but thereafter becomes eligible to participate, the Employee or Contractor is treated as a newly eligible Participant. If a Participant ceases to be eligible to participate, other than as to Earnings, regardless of whether the Participant has been fully paid all Deferred Compensation under the Plan, and subsequently becomes eligible to participate, the Employee or Contractor is treated as a newly eligible Participant provided that the period during which the Employee or Contractor was ineligible was at least 24 months.

(c) Compensation to which election applies. Under this Section 2.02(B)(2), a Participant's election may apply only to Compensation for services the Participant performs subsequent to the date the Participant delivers the election to the Employer. For Compensation that is earned for a specified performance period, including an annual bonus, if the newly eligible Participant makes an Elective Deferral election after the performance period commences, the Employer will pro rate the election by multiplying the performance period Compensation by the ratio of the number of days left in the performance period at the time of the election, over the total number of days in the entire performance period.

(d) Excess benefit plan. For purposes of this Section 2.02(B)(2), if this Plan is an excess benefit plan, an Employee is a newly eligible Participant in the Plan as of the first day of the Employee's Taxable Year immediately following the first year in which he or she accrues a benefit under the Plan. Any election the Employee makes within 30 days following such date applies to any benefits accrued for services provided before the election. An excess benefit plan for purposes of this Section 2.02(B)(2)(d) means a plan under which all Deferred Compensation is attributable to Employer Contributions and is based on the amount the Participant would have accrued under the Employer's qualified plan(s) but for one or more Code limits which apply to the qualified plan(s) over the benefits the Participant actually accrues in such plan(s). Once a Participant has accrued a benefit or deferred compensation in any year, the Participant is not eligible to use the delayed election in this Section 2.02(B)(2)(d).

(e) Aggregated Plans. All references to the Plan in this Section 2.02(B)(2) include Aggregated Plans. As such, an Employee or Contractor who participates in an Aggregated Plan is not a newly eligible Participant and this Section 2.02(B)(2) does not apply.

(3) Certain Forfeitable Rights. If payment of Deferred Compensation is subject to a condition requiring the Participant to perform services for the Employer for at least 12 months after the Participant obtains the Legally Binding Right to the Compensation to avoid forfeiture of the payment, the Participant may make an Elective Deferral election no later than 30 days after the Participant

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obtains the Legally Binding Right to the Compensation, provided the Participant makes the election at least 12 months prior to the earliest date on which the service forfeiture condition could lapse. If the Plan provides for a waiver of the service condition upon the Participant's death, Disability or upon a Change in Control, and such event occurs before the end of the 12 month minimum service period, the Participant's elective Deferral election is valid only if the election is timely under the Plan without regard to this Section 2.02(B)(3).

(4) Performance-Based Compensation. As to any Performance-Based Compensation, a Participant may elect no later than 6 months before the end of the performance period to defer such Compensation, provided that the Participant: (i) continuously performs services from the later of the beginning of the performance period or the date the Employer establishes the performance criteria and at least through the date of the Participant's election; and (ii) may not make an election after the Compensation has become readily ascertainable. For purposes of this Section 2.02(B)(4), if the Performance-Based Compensation is a specified or calculable amount, the Compensation is readily ascertainable if and when the amount is first substantially certain to be paid. If the Performance-Based Compensation is not a specified or calculable amount, the Compensation or any portion thereof is readily ascertainable when the amount is first both calculable and substantially certain to be paid. In applying this Section 2.02(B)(4), the Employer will bifurcate any right to payment as between amounts which are readily ascertainable and amounts which are not readily ascertainable.

(5) Commissions.

(a) Sales Commissions. For purposes of election timing under this Section 2.02(B), if Compensation consists of Sales Commissions, the Participant is treated as providing the services giving rise to the Commissions in the Participant's Taxable Year in which the customer remits payment to the Employer, or, if applied consistently to all similarly situated service providers, the Participant's Taxable Year in which the sale occurs.

(b) Investment Commissions. For purposes of election timing under this Section 2.02(B), if Compensation consists of Investment Commissions, the Participant is treated as providing the services giving rise to the Commissions over the 12 months preceding the date as of which the overall value of the assets or the asset accounts is determined for purposes of calculation of the Investment Commissions.

(6) Final Payroll Period. If Compensation is payable after the last day of the Participant's Taxable Year, but is Compensation for the Participant's services during the final payroll period within the meaning of Code §3401(b) (or, as to a Contractor, a period not longer than such period) which contains the last day of the Participant's Taxable Year, the Compensation is treated for purposes of an election under this Section 2.02(B), as Compensation: (i) for the current Taxable Year in which the final payroll period commenced; or (ii) for the subsequent Taxable Year in which the Employer pays the Compensation, as the Employer elects in its Adoption Agreement. This Section 2.02(B)(6) does not apply to Compensation for services performed over any period other than the final payroll period as described herein, including an annual bonus. If the Employer amends its Adoption Agreement after December 31, 2007, to alter the timing rule of this Section 2.02(B)(6), any such amendment may not take effect until 12 months after the later of the date the amendment is executed and is effective. If the Plan is a restated Plan, whatever election the Employer makes in its Adoption Agreement on or before December 31, 2007, applies to any period spanning 2005 through 2007, as applicable, unless the Employer indicates otherwise in its election.

(7) Separation Pay/Window Program. If the Participant's election relates to Separation Pay (based on voluntary or involuntary Separation from Service) and the Separation Pay is the subject of bona-fide, arm's length negotiations at the time of Separation from Service, the Participant may make an election under this Section 2.02(B) at any time up to the time that the Participant has a Legally Binding Right to the Separation Pay. This Section 2.02(B)(7) does not apply to any Separation Pay to which the Participant obtained a Legally Binding Right before the negotiations at the time of Separation from Service, including a right to payment subject to a condition. If the Separation Pay results from a Window Program, the Participant may make the election at any time up to the time that the Participant's election to participate in the Window Program becomes irrevocable.

(8) Fiscal Year Employer. In the event that the Employer's Taxable Year is not the same as the Participant's Taxable Year, a Participant may elect to defer Compensation which is co-extensive with one or more of the Employer's consecutive Taxable

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Years, and no amount of which is paid or payable during the Employer's Taxable Year or Years constituting the period of service, by making an election no later than the end of the Employer's Taxable Year which precedes the Employer's first Taxable Year in which the Participant performs the service for which the Compensation is payable.

(C) Election Changes/ Irrevocability. The Employer in its Adoption Agreement will elect whether a Participant's Elective Deferral election made prior to the Section 2.02(B) deadline becomes irrevocable as to a Taxable Year: (i) following the last day on which a Participant may make an election under Section 2.02(B) for such Taxable Year; or (ii) if earlier, when the Participant makes the election for a Taxable Year. For this purpose, a Participant's Elective Deferral election is considered made when the Employer accepts the election. If the Employer elects to permit changes to an election up to the Section 2.02(B) election deadline, a Participant may make any number of changes to his/her Elective Deferral election during the period prior to the election becoming irrevocable. If the Employer elects in its Adoption Agreement and under Section 2.02(D) that a Participant's election is continuing, the Participant is deemed to have made an irrevocable election as to each Taxable Year on the last day that the Participant could have made an election under Section 2.02(B). As such, the Participant may revoke or modify a continuing election for a Taxable Year up to the date that such election is deemed made and irrevocable for that Taxable Year. A change payment election under Section 4.02(B) or a permissible acceleration under Section 4.02(C)(3) does not render an Elective Deferral election and an accompanying initial payment election under Section 4.02(A) revocable within the meaning of this Section 2.02(C).

(D) Election Duration/Cancellation. As the Employer elects in its Adoption Agreement, a Participant's Elective Deferral election remains in effect: (i) only for the duration of the Taxable Year for which the Participant makes the election; or (ii) for the duration of the Taxable Year for which the Participant makes the election and for all subsequent Taxable Years unless the Participant executes a subsequent timely election, modification or revocation. A Participant, subject to Plan requirements regarding election timing, may make a new election, or may revoke or modify an existing election effective no earlier than for the next Taxable Year, provided that under Section 4.02(C)(3), a Participant may cancel an existing and otherwise irrevocable election for a Taxable Year at any time following the Participant's receipt of an Unforeseeable Emergency distribution or of a distribution from the Employer's 401(k) plan based upon hardship within the meaning of Treas. Reg. § 1.401(k)-1(d)(3).

(E) "Non-Elections" or Deemed Compliance.

(1) Linkage to Qualified or Certain Foreign Plans. The following are not elections under Section 2.02(B): (i) the amount of Compensation Deferred under this Plan is determined under a formula for determining benefits under the Employer's qualified plan or broad-based foreign retirement plan (but applied without regard to Code or foreign law imposed limitations); or (ii) the amount of Compensation Deferred under this Plan is offset by some or all benefits provided under the Employer's qualified plan or broad-based foreign plan and where in either case the amount of Compensation Deferred under the Plan increases on account of changes in the Code or foreign law imposed benefit limitations applicable to the qualified plan or foreign plan, provided in either case such operation does not result in a change in the time or form for payment under this Plan and that the change in the amounts of Compensation Deferred do not exceed the change in amounts deferred under the qualified plan or foreign plan.

(2) Actions/Inactions (including Wraparound Elections). The following Participant actions or in actions are not elections under Section 2.02(B), even if they result in an increase in Compensation Deferred under the Plan: (i) election or non-election under the Employer's qualified plan or broad-based foreign plan as to receipt of a subsidized or ancillary benefit under such plans; (ii) an amendment of such other plans' benefits to add or remove a subsidized or ancillary benefit or to freeze or limit future accruals under the qualified plan or foreign plan or to reduce existing benefits under the foreign plan; or (iii) a Participant's Wraparound Election, provided in all cases such action or inaction does not result in a change in the time or form for payment under this Plan and that under clauses (i) and (ii) above, the change in the amounts of Compensation Deferred do not exceed the change in amounts deferred under the qualified plan or foreign plan.

(3) Elections under a Cafeteria (125) Plan. If a Participant who is also a participant in a cafeteria (Code § 125) plan of the Employer, changes an election under the cafeteria plan with the result that the amount of Compensation Deferred under this Plan changes on account of an increase or decrease in Compensation under this Plan as a result of the cafeteria plan election, the cafeteria plan election is not an election for purposes of Section 2.02(B).

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(4) USERRA Rights. The requirements of Section 2.02(B) are deemed satisfied as to any Elective Deferral election (including an initial payment election) which the Plan provides to satisfy the requirements of USERRA.

(5) Annualizing Recurrent Partial Year Compensation. If a Participant is receiving recurring part-year Compensation, the Participant's election to defer all or a portion of such Compensation to be earned during a particular service period is deemed to satisfy the requirements of Section 2.02(B) if the Participant makes the election before the services giving rise to the Compensation begin and the election does not defer payment of any of such Compensation to a date beyond the last day of the 13th month following the first date of the service period. For purposes of this Section 2.02(E)(5), recurring part-year Compensation means Compensation paid for services rendered as to a position the Participant and the Employer reasonably anticipate will continue on similar terms and on similar conditions in subsequent years, and will require services to be provided in successive service periods, each of which comprises less than 12 months and each of which begins in one Taxable Year of the Participant and ends in the next Taxable Year. This Section 2.02(E)(5) applies only once to Compensation Deferred such that the same amount may not again be treated as recurring part-year Compensation and subject to a second deferral election.

2.03 Nonelective Contributions. The Employer will specify in its Adoption Agreement whether the Employer will or may make Nonelective Contributions to the Plan, and the terms and conditions applicable to any Nonelective Contributions.

2.04 Matching Contributions. The Employer will specify in its Adoption Agreement whether the Employer will or may make Matching Contributions to the Plan, and the terms and conditions applicable to any Matching Contributions.

2.05 Actual or Notional Contribution. The Employer will specify in its Adoption Agreement whether it will make any Employer Contribution as a notional contribution or as an actual contribution. If the Employer establishes the Trust, any Employer Contributions to the Trust will be actual contributions.

2.06 Allocation Conditions. The Employer will specify in its Adoption Agreement or an exhibit thereto any employment or other condition applicable to the allocation of Employer Contributions for a Taxable Year.

2.07 Timing. The Employer may elect to make any Employer Contribution for a Taxable Year at such times as Code §409A or Applicable Guidance may permit. The Employer is not required to contribute any actual contribution (or to post any notional contribution) to an Account at the time that the Employer makes its contribution election.

2.08 Administration. The Employer will administer all Employer Contributions in the same manner as Elective Deferrals, and will treat the Employer's election to make Employer Contributions as an Elective Deferral election, except as the Plan otherwise provides. If the Employer establishes the Trust, the Employer will remit any Elective Deferrals to the Trust and will make any Employer Contributions to the Trust. Any Employer Contribution is not subject to an immediate Participant right to elect a cash payment in lieu of the Employer Contribution and such amounts are payable only in accordance with the Plan terms.

III. VESTING AND SUBSTANTIAL RISK OF FORFEITURE

3.01 Vesting Schedule or other Substantial Risk of Forfeiture. The Employer will specify in its Adoption Agreement any vesting schedule or other Substantial Risk of Forfeiture applicable to Participant Accounts. If the Plan is an Ineligible 457 Plan, the Employer must specify a Substantial Risk of Forfeiture.

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3.02 Immediate Vesting on Specified Events. The Employer will specify in its Adoption Agreement whether a Participant's Account is Vested without regard to Years of Service if the Participant Separates from Service on or following Retirement Age, or as a result of death, Disability, or other events.

3.03 Application of Forfeitures. A Participant will forfeit any non-Vested Accrued Benefit (where vesting is based on a service condition) upon Separation from Service. A Participant will forfeit any other non-Vested Accrued Benefit when the condition constituting a Substantial Risk of Forfeiture can no longer be satisfied, such as its expiration date. The Employer will specify in its Adoption Agreement how it will apply Participant forfeitures under the Plan.

IV. BENEFIT PAYMENTS

4.01 Payment Events. The Employer in its Adoption Agreement will specify the Plan permissible payment events as all or some of the following payment events affecting a Participant: (i) Separation from Service; (ii) death; (iii) Disability; (iv) a Specified Time or pursuant to a Fixed Schedule; (v) Change in Control; or (vi) Unforeseeable Emergency. As to payment events (i), (ii), (iii) (v) and (vi), the Plan will pay to the Participant the Vested Accrued Benefit held in the Participant's Account on the applicable payment event or on another specified payment date as provided in Section 4.01(A). Payment will commence at the time and payment will be made in the form and medium specified under Section 4.02. See Section 4.02 as to payment elections, including as to payment events under this Section 4.01.

(A) Payment on Objective and Nondiscretionary (Specified) Payment Date(s). The Plan or an initial payment election or change payment election must provide for a payment date that the Employer, at the time of the payment event, can determine objectively and without the exercise of discretion. Such payment date may, but need not, coincide with a payment event, but any payment date must be on or following and must relate to a Plan payment event.

(1) Payment Schedule as Payment Date. A specified payment date may include a payment schedule which is objectively determinable and nondiscretionary based on the date of the payment event and that would qualify as a Fixed Schedule if the payment event were a fixed date. An election of a payment schedule must be made at the time of the election of the payment event.

(2) Designation of Year or Other Period. A specified payment date or a specified payment schedule with regard to any payment event other than a Specified Time or pursuant to a Fixed Schedule may include: (i) a Participant's Taxable Year or Years; or (ii) a designated period of time but only if the designated period both begins and ends within one Taxable Year of the Participant or the designated period is not more than 90 days and the Participant does not have the right to designate the Taxable Year of payment except under a change payment election under Section 4.02(B). For purposes of clause (ii), this includes designation of payment on or before the last date of the designated (maximum 90 day) period but after the payment event occurs.

(3) Deemed Payment Date. If the Adoption Agreement or any such election provides for payment only in a designated Taxable Year or Years, the payment date is deemed to be January 1 of that Year or Years. If the Adoption Agreement or any such election provides for payment only in a designated period, the payment date is deemed to be the first day in the relevant period.

(B) Payment Event Default. This Section 4.01(B) applies if the Employer in its Adoption Agreement fails to elect one or more payment events described in this Section 4.01, if a Participant or the Employer under Section 4.02 fails to elect one or more payment events where the Adoption Agreement affords them such an election, or if the Employer under Section 4.06 rejects the election and the Participant does not timely file a new election the Employer accepts. In such event, the Plan will pay the affected Participant's Vested Benefit held in the Participant's Account following the earlier of the Participant's Separation from Service or death. See Section 4.02(A)(5) as to the applicable default for the time, form and medium of such payments. If this default provision applies, the default payment is deemed to be an initial payment election under the Plan.

(C) Multiple Payment Events; Sequencing. The Plan or an initial payment election or a change payment election may provide for more than one permissible payment event and may provide for payment upon the earliest or latest of more than one permissible payment event. See Section 4.02(A)(4) as to limitations on the number of time and form of payment elections which may apply to a single payment event. In a Separation Pay Plan, the Plan or any election may provide for any payment only upon Separation from Service (including as a result of death or Disability).

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(D) Payment to Specified Employees. Notwithstanding anything to the contrary in the Plan or in a Participant or Employer payment election, the Plan may not make payment, based on Separation from Service to a Participant who, on the date of Separation from Service is a Specified Employee, earlier than 6 months following Separation from Service (or if earlier, upon the Specified Employee's death), except as permitted under this Section 4.01(D). This limitation applies regardless of the Participant's status as a Specified Employee or otherwise on any other date including the next Specified Employee effective date had the Participant continued to render services through such date. The Employer, operationally and without any direct or indirect Participant election, will elect whether any payments that otherwise would be payable to the Specified Employee during the foregoing 6 month period: (i) will be accumulated and payment delayed until the first day of the seventh month that is after the 6 month period; or (ii) will be delayed by 6 months as to each installment otherwise payable during the 6 month period. This Section 4.01(D) does not apply to payments made on account of a domestic relations order, payments made because of a conflict of interest, or payment of employment taxes, all as described in Treas. Reg. 1.409A-3(i)(2)(i). This Section 4.01(D) also does not apply to any reimbursement or in-kind benefit which is Separation Pay but which is not Deferred Compensation under Section 1.18(A).

(E) Deemed Separation of Contractor. The Employer in its Adoption Agreement may elect to apply the special payment timing rules in this Section 4.01(E) as to Contractors. Compliance with this Section 4.01(E) results in the Contractor being deemed to have incurred a Separation from Service under Section 1.39. Under this Section 4.01(E): (i) the Plan will not pay a Contractor's Account, or any portion thereof, before a date that is at least 12 months after the expiration of the contract (or all contracts) under which the Contractor performs services for the Employer; and (ii) no amount payable under clause (i) will be paid to the Contractor if the Contractor (whether as a Contractor or an Employee) performs services for the Employer after the contract(s)' expiration and before the payment date.

4.02 Timing, Form and Medium Payment Elections. Unless the Employer under Section 4.02(A) and/or 4.02(B) permits Employer or Participant elections, the Employer (in addition to its election of permissible payment events under Section 4.01) will elect in its Adoption Agreement the permissible: (i) payment timing; (ii) payment form (lump-sum, installments, annuity or other form including a combination thereof); and (iii) payment medium (cash or property) applicable to Plan Accounts (all of which elections are collectively, "payment elections"). Until the Plan pays a Participant's entire Vested Accrued Benefit, the Plan will continue to credit the Participant's Account with Earnings, in accordance with Section 5.02(A) or Section 5.03(B) as applicable. A permissible payment medium election may, but is not required to be, made at the same time as the initial payment election or change payment election, but must be made a reasonable time before any payment date. No election as to payment medium may change the time or form of payment.

(A) Initial Payment Election. The Employer will elect in its Adoption Agreement: (i) whether a Participant or the Employer may make an initial payment election or whether there are no Participant or Employer initial payment elections and the payment events, timing, form and medium are controlled by the Employer's Adoption Agreement elections; and (ii) whether any Participant payment election applies to all Account types or only applies to a Participant's Elective Deferral Account. A Participant must make any permissible initial payment election on a form the Employer provides for that purpose.

(1) No elections are a Deemed Initial Election. If the Employer elects in its Adoption Agreement not to provide any Participant or Employer initial payment elections, the elected Adoption Agreement and applicable Plan provisions constitute an initial payment election under the Plan.

(2) Timing.

(a) Participant Election. A Participant must make an initial payment election at the time of the Participant's Elective Deferral election under Section 2.02(B), or in the absence of such an Elective Deferral election but where the Participant may make an initial payment election as to Employer Contributions, within the same time period as such an Elective Deferral election would be permitted.

(b) Employer Election. The Employer must make an initial payment election as to a Participant at the time that the Employer grants a Legally Binding Right to Deferred Compensation to the Participant, or, if later, by the time that the Participant would have had to make such election, if the Plan had permitted the Participant to make such an election. In the case of a newly eligible Participant or a new Plan described under Section 2.02(B)(2), the Employer must make the initial payment election no later than 30 days after the date the Employee or Contractor becomes a Participant and the pro ration provisions of Section 2.02(B)(2)(c) do not apply to such Employer election.

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(3) Future Deferred Compensation and Earnings. A payment election may apply only to the Deferred Compensation that is the subject of the Elective Deferral election or the Employer Contribution or may apply to such Deferred Compensation and to all future Deferred Compensation, as the payment election indicates. A payment election separately may apply to Deferred Compensation and to the Earnings thereon provided that the Plan credits Earnings at least annually.

(4) Limitations on Payment Time and Form; Multiple Payment Events. Except as otherwise provided in this Section 4.02(A)(4), the Plan or a payment election may designate only one time and form of payment for each of the following payment events: Separation from Service, Disability, death or Change in Control.

(a) Disability, Death or Change in Control. In the case of payment in the event of Disability, death or Change in Control, the Plan or payment election may provide for one time and/or method of payment if the event occurs on or before one specified date and may provide for an alternative time and form of payment if the event occurs after the specified date.

(b) Separation From Service. In the case of payment in the event of Separation from Service, the Plan or payment election may provide for an alternative time and form of payment where: (i) Separation from Service occurs within a limited period of time not exceeding two years following a Change in Control; (ii) Separation from Service occurs before or after a specified date or Separation occurs before or after the combination of a specified date and a specified period of service determined under a predetermined, nondiscretionary objective formula or pursuant to the method for crediting service under a qualified plan of the Employer (but not both of the options under clause (ii)); and Separation from Service which is not described in clause (i) or (ii). However, neither the Plan nor a payment election may provide for a different time and form of payment based on whether Separation from Service is Voluntary or Involuntary or based on the Participant's marital status at the time of Separation from Service.

(c) Unforeseeable Emergency. If the Employer in its Adoption Agreement elects to permit Unforeseeable Emergency as a payment event, a Participant at any time may request payment based on Unforeseeable Emergency by submitting to the Employer a form the Employer provides for this purpose. The Plan will make payment to the Participant within 90 days following the Employer's acceptance of the Participant's Unforeseeable Emergency payment request. If that 90-day period spans more than one Taxable Year of the Participant, the Participant will not have any discretion over the Taxable Year of payment. See Section 1.51 as to additional requirements relating to an Unforeseeable Emergency payment.

(d) Addition, Change or Deletion of Time and Form. The addition, change, or deletion of an alternative time and form of payment (after the initial payment election has become irrevocable) as permitted under this Section 4.02(A)(4) is a change payment election subject to Section 4.02(B) and is subject to Section 4.02(C).

(5) Time, Form and Medium Default. If the Participant or the Employer as applicable has the right to make an initial payment election but fails to do so, or if the Employer rejects the Participant's election under Section 4.06 and the Participant does not make a new timely election the Employer accepts, the Plan will pay the affected Participant's Vested Accrued Benefit attributable to the non-election under this default provision, in a lump-sum cash payment 13 months following the earliest event permitting payment of the Participant's Account under Section 4.01 (including, if applicable, the default payment events under Section 4.01(B)). If this default provision applies, the default payment is deemed to be an initial payment election under the Plan.

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(B) Change Payment Election. The Employer will elect in its Adoption Agreement whether the Employer or a Participant may make a change payment election under this Section 4.02(B). If the Plan permits change elections, the Employer in its Adoption Agreement will elect whether to limit the number of change payment elections. If the Plan permits a Participant or the Employer to change existing payment elections (initial or change payment elections) as to any or all Deferred Compensation, including any Plan specified initial payment election or a default payment applicable in the absence of an actual initial payment election, any such change payment election must comply with this Section 4.02(B). A change payment election may add or delete payment events, may delay payment and/or may change the form of payment, provided the change does not result in an impermissible acceleration under Section 4.02(C). The Employer in its Adoption Agreement will elect whether a Beneficiary following a Participant's death may make a change payment election under this Section 4.02(B). A Participant's change of Beneficiary is not a change payment election provided that the time and method of payment is not otherwise changed. See Section 4.02(B)(3) as to changes of Beneficiary where the payment method is a life annuity. A Participant or Beneficiary must make any change payment election on a form the Employer provides for such purpose.

(1) Conditions on Change Payment Elections.

(a) Election Timing/Deferral of Payment. Any change payment election: (i) may not take effect until at least 12 months following the date the change payment election is made; (ii) if the change payment election relates to a payment based on Separation from Service or on Change in Control, or if the payment is at a Specified Time or pursuant to a Fixed Schedule, the change payment election must result in payment being made not earlier than 5 years following the date upon which the payment otherwise would have been made (or, in the case of a life annuity or installment payments treated as a single payment, 5 years from the date the first amount was scheduled to be paid); and (iii) if the change payment election relates to payment at a Specified Time or pursuant to a Fixed Schedule, the Participant or Employer must make the change payment election not less than 12 months prior to the date the payment is scheduled to be made (or, in the case of a life annuity or installment payments treated as a single payment, 12 months prior to the date the first amount was scheduled to be paid).

(b) Application of Other Rules. A change payment election must satisfy the Plan provisions applicable to initial payment elections under Section 4.02(A)(4) related to multiple payment events and Section 4.02(A)(3) regarding scope and Earnings also applies to change payment elections. For purposes of application of Section 4.02(A)(4), Section 4.02(B)(1)(a) applies separately as to each Payment described under Section 4.02(B)(2) and due upon each payment event.

(c) Rejection. If the Employer under Section 4.06 rejects a Participant or Beneficiary change payment election, the Participant's initial payment election or deemed initial payment election continues to apply unless and until the Participant makes another change payment election which the Employer accepts.

(d) USERRA Rights. The requirements of Section 4.02(B) are deemed satisfied as to any change payment election which the Plan provides to satisfy the requirements of USERRA. Such elections are not an acceleration under Section 4.02(C).

(2) Definition of "Payment." Except as otherwise provided in Section 4.02(B)(3), a "payment" for purposes of applying Section 4.02(B)(1) is each separately identified amount the Plan is obligated to pay to a Participant on a determinable date and includes amounts paid for the benefit of the Participant. An amount is "separately identified" only if the amount is objectively determinable under a nondiscretionary formula. A payment includes the provision of any taxable benefit, including payment in cash or in-kind. A payment includes, but is not limited to, the transfer, cancellation or reduction of an amount of Deferred Compensation in exchange for benefits under a welfare benefit plan, fringe benefits excludible under Code §§ 119 or 132, or any other benefit that is excluded from gross income. In the case of a Specified Time or a Fixed Schedule, "payment" for purposes of Section 4.02(B)(1) means as further described in Treas. Reg. § 1.409A-3(i)(1).

(3) Life Annuities and Installment Payments.

(a) Life Annuities. A life annuity is treated as a single payment. For purposes of this Section 4.02(B)(3), a "life annuity" is a series of substantially equal periodic payments, payable not less frequently than annually, for the life (or life expectancy) of the Participant, or the joint lives (or life expectancies) of the Participant and of his/her Beneficiary. A change of Beneficiary which

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occurs before the initial payment of a life annuity is not a change payment election. A change in the form of payment before any annuity payment has been made from one type of life annuity to another with the same scheduled date for the first payment is not subject to the change payment election requirements provided that the annuities are actuarially equivalent applying reasonable actuarial assumptions and that at any given time, the same actuarial assumptions and methods are used to value each annuity. The requirement of actuarial equivalence applies for the duration of the Participant's participation in the Plan such that the annuity payment must be actuarially equivalent at all times for the annuity payment options to be treated as a single time and method of payment. The Plan over time may change actuarial assumptions and methods provided such methods and assumptions are reasonable. The following features are disregarded in determining if the payment is a life annuity but are taken into account in determining if one life annuity is the actuarial equivalent of another: (i) term certain features under which payments continue for the longer of the annuitant's life or for a fixed period of time; (ii) pop-up features under which payments increase upon the death of the Beneficiary or other event which eliminates the survivor annuity; (iii) cash refund features under which there is a payment on the death of the last annuitant in an amount not greater than the excess of the present value of the annuity at the annuity starting state over the total payments before the last annuitant's death; (iv) a feature under which the annuity provides higher periodic payments before the expected commencement of Social Security or Railroad Retirement Act benefits and lower payments after the expected commencement of such benefits, such the combined payments are approximately level before and after the expected commencement date; and (v) features providing for a cost-of-living increase in the annuity payment in accordance with Treas. Reg. §1.409A-6, Q & A-14(A)(1) or (2). A joint and survivor annuity does not fail to be actuarially equivalent to a single life annuity solely due to the value of a subsidized survivor benefit provided the annual lifetime annuity to the Participant is not greater than the annual lifetime benefit to the Participant under the single life annuity and the annual survivor annuity benefit is not greater than the annual lifetime annuity to the Participant under the joint and survivor annuity.

(b) **Installments.** The Employer in its Adoption Agreement will elect whether to treat a series of installment payments which are not a life annuity as a single payment or as a series of separate payments. If the Employer fails to so elect, the Employer must treat the installments as a single payment. Any election to treat installments as separate payments applies at all times with respect to the amount deferred. For purposes of this Section 4.02(B)(3), a "series of installment payments" means payment of a series of substantially equal periodic amounts to be paid over a predetermined number of years, except to the extent that any increase in the payment amounts reflects reasonable Earnings through the date of payment. For this purpose, a series of installment payments over a predetermined period and: (i) a series of installments over a shorter or longer period; and (ii) a series of installments over the same period but with a difference commencement date, are different times and methods of payment and a change in the predetermined period or commencement date is subject to this Section 4.02(B). An installment payment does not fail to be an installment solely because the plan provides for an immediate payment of all remaining installments if the present value of the Deferred Compensation to be paid in the remaining installments falls below a predetermined amount, and the immediate payment is not an acceleration under Section 4.02(C) provided that the payment election establishes this feature, including the predetermined amount triggering immediate payment and that any change to the feature is subject to this Section 4.02(B). If the Plan is a restated Plan, whatever election the Employer makes in its Adoption Agreement on or before December 31, 2007, applies to any period spanning 2005 through 2007, as applicable, unless the Employer indicates otherwise in its election.

(4) **Coordination with Anti-Acceleration Rule.** The definition of "payment" in Sections 4.02(B)(2) and (3) also applies to Section 4.02(C). A change payment election may change the form of payment to a more rapid schedule (including a change from installments to a lump-sum payment) without violating Section 4.02(C), provided any such change remains subject to the change payment election provisions under this Section 4.02(B).

(5) **Multiple Payment Events.** If the Plan permits multiple payment events, the change payment election provisions of Section 4.02(B)(1) apply separately as to each payment due upon each payment event. The addition or deletion of a permissible payment event to Deferred Compensation previously deferred is subject to the change election provisions of Section 4.02(B)(1) where the additional event may cause a change in the time or form of payment. However the addition of death, Disability or Unforeseeable Emergency as an "earliest of" payment event is not a change payment election and is not an impermissible acceleration under Section 4.02(C).

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(6) Domestic Relations Orders. An election, pursuant to or reflected in a domestic relations order under Code §414(p)(1)(B), by someone other than the Participant, as to payments to a person other than the Participant, is not a change payment election subject to this Section 4.02(B).

(7) Certain Payment Delays not Subject to Change Payment Election Rules. The Employer operationally will elect whether to apply the some or all of the following payment delay provisions. The Employer in applying such provisions must treat all payments to similarly situated service providers on a reasonably equivalent basis. If applicable, these provisions do not result in the Plan failing to provide for payment upon a permissible event as Code §409A requires nor are the delays treated as a change payment election under this Section 4.02(B).

(a) Non-deductible Payment. The Plan may delay payment to a Participant if the Employer reasonably anticipates that the Employer's deduction for the scheduled payment of the Participant's Deferred Compensation will be barred under Code §162(m). In such event, the Plan (without any Participant election as to timing) will pay such Deferred Compensation either in the Participant's first Taxable Year in which the Employer reasonably anticipates or should reasonably anticipate that Code §162(m) will not apply or during the period beginning on the date the affected Participant Separates from Service and ending on the later of the last day of the Participant's Taxable Year in which the Separation occurs or the 15th day of the third month following the Separation. If the Employer fails to delay under this Section 4.02(B)(7)(a) all scheduled payments during a Taxable Year which could be so delayed, the Employer's delay of any payment is a change payment election subject to this Section 4.02(B). If the Employer delays payment until the Participant's Separation from Service, the payment is considered as made based on Separation from Service for purpose of application of Section 4.01(D) and payment to a Specified Employee will be made on the date that is six months after Separation from Service.

(b) Securities or Other Laws. The Plan may delay payment to a Participant if the Employer reasonably anticipates that the payment will violate Federal securities law or other applicable law. The Plan will pay such Deferred Compensation at the earliest date at which the Employer reasonably anticipates that the payment will not cause a violation of such laws. For purposes of this Section 4.02(B)(7)(b), a violation of "other applicable law" does not include a payment which would cause inclusion of the Deferred Compensation in the Participant's gross income or which would subject the Participant to any Code penalty or other Code provision.

(c) Change in Control. The Plan may delay payment to a Participant related to a Change in Control and that occur under the circumstances described in Treas. Reg. 1.409A-3(i)(5)(iv).

(d) Other. The Plan may delay payment to a Participant upon such other events as Applicable Guidance may permit.

(8) Extension of Short-Term Deferral. A Participant who, after the deadline for an initial payment election under Section 4.02(A)(2)(a), makes an election to defer payment of an amount which, but for the election, would be a short-term deferral under Treas. Reg. 1.409A-1(b)(4) and not subject to 409A, makes a change payment election subject to this Section 4.02(B) and in applying Section 4.02(B), the Plan treats the scheduled payment date as the date the Substantial Risk of Forfeiture lapses; provided that a Participant making such an election may provide for payment upon a Change in Control without regard to the 5 year requirement under clause (ii) of Section 4.02(B)(1)(a).

(C) No Acceleration

(1) General Rule. No person may accelerate the time or schedule of any Plan payment or amount scheduled to be paid under the Plan. For this purpose, the payment of an amount substituted for the Deferred Compensation is a payment of the Deferred Compensation, as provided in Treas. Reg. §1.409A-3(f).

(2) Not an Acceleration. Certain actions as described in Treas. Reg. §§1.409A-3(j)(1), (2), (3), (5) and (6) are not an acceleration including: (i) certain payments made as a result of an intervening payment event and made in accordance with Plan provisions or pursuant to an initial payment election under Section 4.02(A) or a change payment election under Section 4.02(B); (ii) the Employer's waiver or acceleration of the satisfaction of any condition constituting a Substantial Risk of Forfeiture provided that payment is made only upon a permissible payment event; (iii) the addition of death, Disability or Unforeseeable Emergency as

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payment events where such addition results in an earlier payment than would have occurred without the addition of such events (iv) an election to change Beneficiaries (including before the commencement of a life annuity) if the time and form of payment does not change (except where under a life annuity a change in time of payments results solely from the different life expectancy of the new Beneficiary); (v) a decrease in the Compensation Deferred under the Plan as a result of certain linkage to qualified plans or broad-based foreign plans or certain other actions or inactions, including related to Wraparound Elections; or (vi) a change to a cafeteria plan election (under Code § 125(d)) resulting in a change in the Compensation Deferred under this Plan.

(3) Permissible Accelerations/ Including Cash-Out. Notwithstanding Section 4.02(C)(1), the Employer in its sole discretion and without any Participant discretion or election, operationally may elect accelerations of the time or schedule of payment from the Plan in any or all of the circumstances described in Treas. Reg. §§ 1.409A-3(j)(4)(ii) through (xiv). Such circumstances include, but are not limited to, the mandatory lump-sum payment of the Participant's entire Vested Accrued Benefit at any time provided that the Employer evidences its discretion to make such payment in writing no later than the date of payment, the payment results in the termination and liquidation of the Participant's interest under the Plan and under all Aggregated Plans, and the payment amount does not exceed the applicable dollar amount under Code § 402(g)(1)(B). The Employer in applying this Section 4.02(C)(3) must treat all similarly situated service providers on a reasonably equivalent basis. See Section 6.03 as to Plan termination which also results in a permissible acceleration.

4.03 Withholding. The Employer will withhold from any payment made under the Plan and from any amount taxable under Code § 409A, all applicable taxes, and any and all other amounts required to be withheld under Applicable Guidance.

4.04 Beneficiary Designation. A Participant may designate a Beneficiary (including one or more primary and contingent Beneficiaries) to receive payment of any Vested Accrued Benefit remaining in the Participant's Account at death. The Employer will provide each Participant with a form for this purpose and no designation will be effective unless made on that form and delivered to the Employer. A Participant may modify or revoke an existing designation of Beneficiary by executing and delivering a new designation to the Employer. In the absence of a properly designated Beneficiary, the Employer will pay a deceased Participant's Vested Accrued Benefit to the Participant's surviving spouse and if none, to the Participant's then living lineal descendants, by right of representation, and if none, to the Participant's estate. If a Beneficiary is a minor or otherwise is a person whom the Employer reasonably determines to be legally incompetent, the Employer may cause the Plan or Trust to pay the Participant's Vested Accrued Benefit to a guardian, trustee or other proper legal representative of the Beneficiary. The Plan's or Trust's payment of the deceased Participant's Vested Accrued Benefit to the Beneficiary or proper legal representative of the Beneficiary completely discharges the Employer, the Plan and Trust of all further obligations under the Plan.

4.05 Payments Treated as Made on Payment Date.

(A) Certain Late Payments. The Plan's payment of Deferred Compensation is deemed made on the Plan required payment date or payment election required payment date even if the Plan makes payment after such date, provided the payment is made by the latest of: (i) the end of the Taxable Year in which the payment is due; (ii) the 15th day of the third calendar month following the payment due date provided that the Participant is not able, directly or indirectly, to designate the Taxable Year of payment; (iii) in case the Employer cannot calculate the payment amount on account of administrative impracticality which is beyond the Participant's control (or the control of the Participant's Beneficiary), in the first Taxable Year of the Participant in which payment is practicable; (iv) in case the making of the payment on the specified date would jeopardize the Employer's ability to continue as a going concern, in the first Taxable Year of the Participant in which the payment would not have such effect. The Employer may cause the Plan or Trust to pay a Participant's Vested Accrued Benefit on any date which satisfies this Section 4.05(A) and that is administratively practicable following any Plan specified payment date or the date specified in any valid payment election.

(1) Change in Control. In the case of certain Change in Control events, as described in Treas. Reg. § 1.409A-3(i)(5)(iv), certain transaction based compensation paid on the same schedule and on the same terms as apply to shareholders generally with respect to the Employer's stock or as the payments to the Employer, is treated as paid on the designated payment date. Further, such payments made within 5 years after the Change in Control event are deemed compliant with Sections 4.02(A) and (B).

(2) Disputed Payments. In the event of a dispute between the Employer and a Participant as to whether Deferred Compensation is payable to the Participant or as to the amount thereof, or any other failure to pay, payment is treated as paid on the designated payment date if such payment is made in accordance with Treas. Reg. § 1.409A-3(g).

(B) Early Payments. The Employer also may cause the Plan or Trustee to pay on a date no earlier than 30 days before the specified payment date provided the Participant is not able, directly or indirectly, to designate the Taxable Year of the payment. Such "early" payments are not an accelerated payment under Section 4.02(C).

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4.06 Payment Election Requirements. The term “payment election,” for purposes of this Section 4.06(B) and the Plan generally, means either an initial payment election under Section 4.02(A) or a change payment election under Section 4.02(B).

(A) Compliance with Plan Terms. All initial payment elections and change payment elections must be consistent with the Plan and with the Adoption Agreement.

(B) When Election is Considered Made; Irrevocability.

(1) Participant Elections. A Participant’s payment election is not considered made for any purpose under the Plan until both: (i) the Employer approves the election; and (ii) the election has become irrevocable. A Participant’s payment election is always revocable until the Employer accepts the election, which acceptance must occur within the time period described in Section 4.06(C). A Participant’s payment election becomes irrevocable as the Employer elects in its Adoption Agreement.

(2) Employer Elections. The Employer’s payment election is not considered made for any purpose under the Plan until the election has become irrevocable. The Employer’s initial payment election is irrevocable after the last permissible date for making the election under Section 4.02(A)(2)(b). The Employer’s change payment election relating to payment at a Specified Time or pursuant to a Fixed Schedule is irrevocable after the last permissible date for making the election under Section 4.02(B)(1)(a). The Employer’s change payment election relating to payment based on any other payment event (not a Specified Time or Fixed Schedule) remains revocable for 30 days following the Employer’s execution of the change payment election.

(3) Effect of Changes While Election is Revocable. Any change made to a payment election while the election remains revocable is not a change payment election, either for purposes of Section 4.02(B)(1)(a) timing rules or in applying any Plan limit on the number of change payment elections a Participant may make as to any amount of Deferred Compensation. Any modification to a payment election after the election has become irrevocable is a change payment election (if made with respect to an initial payment election) or is a new change payment election (if made with respect to a change payment election).

(4) Continuing Elections. If an initial payment election is continuing under Section 4.02(A)(3), such that it applies to Compensation Deferred in one or more Taxable Years beginning after the first Taxable Year to which the payment election applies, the payment election is revocable as to such future Taxable Years until the last permissible date under Section 4.02(A)(2)(b) for making the election with regard to such future Taxable Year or Years.

(C) Employer Approval of Participant and Beneficiary Elections. The Employer expressly and in writing must approve any Participant or Beneficiary payment election as to timing, form and medium, even if the Plan and Adoption Agreement permit such election. The Employer, in its absolute discretion, may withhold approval for any reason, including, but not limited to, non-compliance with Plan terms. However, the Employer must approve or reject any such election within the time period during which the Participant or Beneficiary would have had to make the election. If the Employer does not so approve or reject a payment election, the election is deemed rejected within such time period. With regard to initial payment elections, unless the Participant subsequently makes a timely initial payment election the Employer accepts, the Employer will pay the Participant’s Vested Accrued Benefit under the payment event, timing, form and medium default provisions of Sections 4.01(B) and 4.02(A)(5).

(D) Preservation of Pre-2008 Payment Elections. If the Plan is a restatement of a Plan which was in effect before January 1, 2008, as to pre-2008 Deferred Compensation (and Earnings thereon) which is a 409A Amount, the Plan preserves any 409A permissible payment elections under the Plan which elections are not available under the Plan as to Compensation Deferred after 2007, subject to any change payment election made as to such pre-2008 Deferred Compensation.

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V. TRUST ELECTION AND PLAN EARNINGS

5.01 Unfunded Plan. The Employer as it elects in its Adoption Agreement intends this Plan to be an unfunded plan that is wholly or partially exempt under ERISA. No Participant, Beneficiary or successor thereto has any legal or equitable right, interest or claim to any property or assets of the Employer, including assets held in any Account under the Plan except as the Plan otherwise permits. The Employer's obligation to pay Plan benefits is an unsecured promise to pay. Any assets held in Plan Accounts remain subject to claims of the Employer's general creditors and no Participant's or Beneficiary's claim to Plan assets has any priority over any general unsecured creditor of the Employer. Except as otherwise provided in the Plan or Trust, all Plan assets, including all incidents of ownership thereto, at all times will be the sole property of the Employer.

5.02 No Trust. Except as provided in its Adoption Agreement, this Plan does not create a trust for the benefit of any Participant. If the Employer does not establish the Trust: (i) the Employer may elect to make notional contributions in lieu of actual contributions to the Plan; and (ii) the Employer may elect not to invest any actual Plan contributions. If the Employer elects to invest any actual Plan contributions, such investments may be held for the Employer's benefit in providing for the Employer's obligations under the Plan or for such other purposes as the Employer may determine.

(A) Earnings. If the Employer does not establish the Trust, the Employer will elect in its Adoption Agreement whether the Plan periodically will credit actual or notional Plan contributions with a determinable amount of notional Earnings (at a specified fixed or floating interest rate or other specified index) or will credit or charge each Participant's Account with the Earnings actually incurred by the Account.

(B) Investment Direction. If the Account is credited and charged with actual Earnings, the Employer will specify in the Adoption Agreement whether the Employer or the Participant has the right to direct the investment of the Participant's Account and also may specify any limitations on the Participant's right of investment direction. If the Adoption Agreement provides for Employer investment direction, the Employer may make any investment of Plan assets it deems reasonable or appropriate. If the Adoption Agreement provides for Participant investment direction, this right is limited strictly to investment direction and the Participant will not be entitled to the distribution of any Account asset except as the Plan otherwise permits.

5.03 Trust. If the Employer elects in its Adoption Agreement to create the Trust, the applicable provisions of the Basic Plan Document continue to apply, including those of Section 5.01. The Trustee will pay Plan benefits in accordance with the Plan terms or upon the Employer's direction consistent with Plan terms.

(A) Restriction on Trust Assets. If an Employer establishes, directly or indirectly, the Trust (or any other arrangement Applicable Guidance may describe), the Trust and the Trust assets must be and must remain located within the United States, except with respect to a Participant who performs outside the United States substantially all services giving rise to the Deferred Compensation. The Trust may not contain any provision limiting the Trust assets to the payment of Plan benefits upon a Change in the Employer's Financial Health, even if the assets remain subject to claims of the Employer's general creditors. For this purpose, the Employer, upon a Change in the Employer's Financial Health, may not transfer Deferred Compensation to the Trust. The Employer (and any member of a controlled group which includes the Employer) during the "restricted period" also may not transfer Deferred Compensation to the Trust and the Trust may not be restricted to payment of Plan benefits, to the extent that such transfer or restriction would violate the at-risk limitation of Code §409A(b)(3). Any Trust the Employer establishes under this Plan shall be further subject to Applicable Guidance, compliance with which is necessary to avoid the transfer of assets to the Trust being treated as a transfer of property under Code §83.

(B) Trust Earnings and Investment. If the Employer establishes the Trust, the Trust earnings provisions apply to all Plan contributions and constitute Earnings for purposes of the Plan. The Trustee will invest the assets held in the Trust in accordance with the Trust terms but are not subject to Participant direction of investment.

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6.01 No Assignment. No Participant or Beneficiary has the right to anticipate, alienate, assign, pledge, encumber, sell, transfer, mortgage or otherwise in any manner convey in advance of actual receipt, the Participant's Account. Prior to actual payment, a Participant's Account is not subject to the debts, judgments or other obligations of the Participant or Beneficiary and is not subject to attachment, seizure, garnishment or other process applicable to the Participant or Beneficiary.

6.02 Not Employment Contract. This Plan is not a contract for employment between the Employer and any Employee who is a Participant. This Plan does not entitle any Participant to continued employment with the Employer, and benefits under the Plan are limited to payment of a Participant's Vested Accrued Benefit in accordance with the terms of the Plan.

6.03 Amendment and Termination.

(A) Amendment. The Employer reserves the right to amend the Plan at any time to comply with Code §409A, Treas. Reg. §1.409A and other Applicable Guidance or for any other purpose, provided that such amendment will not result in taxation to any Participant under Code §409A. Except as the Plan and Applicable Guidance otherwise may require, the Employer may make any such amendments effective immediately.

(B) Termination. The Employer may terminate, but is not required to terminate and liquidate the Plan which includes the distribution of all Plan Accounts under the following circumstances:

(1) Dissolution/Bankruptcy. The Employer may terminate and liquidate the Plan within 12 months following a dissolution of a corporate Employer taxable under Code §331 or with approval of a Bankruptcy court under 11 U.S.C. §503(b)(1) (A), provided that the Deferred Compensation is paid to the Participants and is included in the Participants' gross income in the latest of (or, if earlier, the Taxable Year in which the amount is actually or constructively received): (i) the calendar year in which the plan termination and liquidation occurs; (ii) the first calendar year in which the amounts no longer are subject to a Substantial Risk of Forfeiture; or (iii) the first calendar year in which the payment is administratively practicable.

(2) Change in Control. The Employer may terminate and liquidate the Plan by irrevocable action taken within the 30 days preceding or the 12 months following a Change in Control, provided the Employer distributes all Plan Accounts (and must distribute the accounts under any Aggregated Plans which plan the Employer also must terminate and liquidate as to each Participant who has experienced the Change in Control) within 12 months following the date of Employer's irrevocable action to terminate and liquidate the Plan and Aggregated Plans. Where the Change in Control results from an asset purchase transaction, the "Employer" with discretion to terminate and liquidate the Plan is the Employer that is primarily liable after the transaction to pay the Deferred Compensation.

(3) Other. The Employer may terminate the Plan for any other reason in the Employer's discretion provided that: (i) the termination and liquidation does not occur proximate to a downturn in the Employer's financial health; (ii) the Employer also terminates all Aggregated Plans in which any Participant also is a participant; (iii) the Plan makes no payments in the 12 months following the date of Employer's irrevocable action to terminate and liquidate the Plan other than payments the Plan would have made irrespective of Plan termination; (iii) the Plan makes all payments within 24 months following the date of Employer's irrevocable action to terminate and liquidate the Plan; and (iv) the Employer within 3 years following the date of Employer's irrevocable action to terminate and liquidate the Plan does not adopt a new plan covering any Participant that would be an Aggregated Plan.

(4) Applicable Guidance. The Employer may terminate and liquidate the Plan under such other circumstances as Applicable Guidance may permit.

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(C) Effect on Vesting. Any Plan amendment or termination will not reduce the Vested Accrued Benefit held in any Participant Account at the date of the amendment or termination and will not accelerate vesting except as the Employer may expressly provide for in connection with the amendment or termination, provided that any such vesting acceleration does not subject any Participant to taxation under Code §409A.

(D) Cessation of Future Contributions. The Employer in its Adoption Agreement may elect at any time to amend the Plan to cease future Elective Deferrals, Nonelective Contributions or Matching Contributions as of a specified date. In such event, the Plan remains in effect (except those provisions permitting the frozen contribution type) until all Accounts are paid in accordance with the Plan terms, or, if earlier, upon the Employer's termination of the Plan.

6.04 Fair Construction. The Employer, Participants and Beneficiaries intend that this Plan in form and in operation comply with Code 409A, the regulations thereunder, and all other present and future Applicable Guidance. The Employer and any other party with authority to interpret or administer the Plan will interpret the Plan terms in a manner which is consistent with Applicable Law. However, as required under Treas. Reg. §1.409A-1(c)(1), the "interpretation" of the Plan does not permit the deletion of material terms which are expressly contrary to Code §409A and the regulations thereunder and also does not permit the addition of missing terms necessary to comply therewith. Such deletions or additions may be accomplished only by means of a Plan amendment under Section 6.03(A). Any Participant, Beneficiary or Employer permitted Elective Deferral election, initial payment election, change payment election or any other Plan permitted election, notice or designation which is not compliant with Applicable Law is not an "election" or other action under the Plan and has no effect whatsoever. In the event that a Participant, Beneficiary or the Employer fail to make an election or fail to make a compliant election, the Employer will apply the Plan's default terms under Sections 4.01(B) and 4.02(A)(5).

6.05 Notice and Elections. Any notice given or election made under the Plan must be in writing and must be delivered or mailed by certified mail, to the Employer, the Trustee or to the Participant or Beneficiary as appropriate. The Employer will prescribe the form of any Plan notice or election to be given to or made by Participants. Any notice or election will be deemed given or made as of the date of delivery, or if given or made by certified mail, as of 3 business days after mailing.

6.06 Administration. The Employer will administer and interpret the Plan, including making a determination of the Vested Accrued Benefit due any Participant or Beneficiary under the Plan. As a condition of receiving any Plan benefit to which a Participant or Beneficiary otherwise may be entitled, a Participant or Beneficiary will provide such information and will perform such other acts as the Employer reasonably may request. The Employer may cause the Plan to forfeit any or all of a Participant's Vested Accrued Benefit, if the Participant fails to cooperate reasonably with the Employer in the administration of the Participant's Plan Account, provided that this provision does not apply to a bona fide dispute under Section 4.05(A)(2). The Employer may retain agents to assist in the administration of the Plan and may delegate to agents such duties as it sees fit. The decision of the Employer or its designee concerning the administration of the Plan is final and is binding upon all persons having any interest in the Plan. The Employer will indemnify, defend and hold harmless any Employee designated by the Employer to assist in the administration of the Plan from any and all loss, damage, claims, expense or liability with respect to this Plan (collectively, "claims") except claims arising from the intentional acts or gross negligence of the Employee.

6.07 Account Statements. The Employer from time to time will provide each Participant with a statement of the Participant's Vested Accrued Benefit as of the most recent Valuation Date. The Employer also will provide Account statements to any Beneficiary of a deceased Participant with a Vested Accrued Benefit remaining in the Plan. Any such statements are for information purposes only prior to an actual Plan payment, are subject to adjustment or correction, and are not binding upon the Employer.

6.08 Accounting. The Employer will maintain for each Participant as is necessary for proper administration of the Plan, an Elective Deferral Account, a Matching Contribution Account, a Nonelective Contribution Account, and separate sub-accounts reflecting 409A Amounts and Grandfathered Amounts in accordance with Section 7.03.

Nonqualified Deferred Compensation Prototype Plan

6.09 Costs and Expenses. Investment charges which will be borne by the Account to which they pertain. The Employer will pay the other costs, expenses and fees associated with the operation of the Plan, excluding those incurred by Participants or Beneficiaries. The Employer will pay costs, expenses or fees charged by or incurred by the Trustee only as provided in the Trust or other agreement between the Employer and the Trustee.

6.10 Reporting. The Employer will report Deferred Compensation for Employee Participants on Form W-2 for and on Form 1099-MISC for Contractor Participants in accordance with Applicable Guidance.

6.11 ERISA Claims Procedure. If this Plan is established as a “top-hat plan” within the meaning of DOL Reg. §2520.104-23, the following claims procedure under DOL Reg. §2560.503-1 applies. For purposes of the Plan’s claims procedure under this Section 6.11, the “Plan Administrator” means the Employer. A Participant or Beneficiary may file with the Plan Administrator a written claim for benefits, if the Participant or Beneficiary disputes the Plan Administrator’s determination regarding the Participant’s or Beneficiary’s Plan benefit. However, the Plan Administrator will cause the Plan to pay only such benefits as the Plan Administrator in its discretion determines a Participant or Beneficiary is entitled to receive. The Plan Administrator under this Section 6.11 will provide a separate written document to affected Participants and Beneficiaries which explains the Plan’s claims procedure and which by this reference is incorporated into the Plan. If the Plan Administrator makes a final written determination denying a Participant’s or Beneficiary’s claim, the Participant or Beneficiary must file an action with respect to the denied claim within 180 days following the date of the Plan Administrator’s final determination.

VII. 409A AMOUNTS AND GRANDFATHERED AMOUNTS

7.01 409A Amounts. The terms of this Plan control as to any 409A Amount.

7.02 Grandfathered Amounts. A Grandfathered Amount remains subject to the terms of the Plan as in effect before January 1, 2005, unless the Employer makes a material modification to the Plan as described in Treas. Reg. §1.409A-6(a)(4).

7.03 Separate Accounting/Earnings. The Employer will account separately for 409A Amounts and for Grandfathered Amounts within each Participant’s Account. The Employer also will account separately for Earnings on the 409A Amounts and Earnings on the Grandfathered Amounts. Post-2004 Earnings on Grandfathered Amounts are included in the Grandfathered Amount.

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**NONQUALIFIED
DEFERRED COMPENSATION PLAN
ADOPTION AGREEMENT**
(Including Code §409A provisions)

**NONQUALIFIED
DEFERRED COMPENSATION PLAN
ADOPTION AGREEMENT**

The undersigned Ponce De Leon Federal Bank (“Employer”) by execution of this Adoption Agreement hereby establishes this Nonqualified Deferred Compensation Plan (“Plan”) consisting of the Basic Plan Document, this Adoption Agreement and all other Exhibits and documents to which they refer. The Employer makes the following elections concerning this Plan. All capitalized terms used in the Adoption Agreement have the same meaning given in the Basic Plan Document. References to “Section” followed by a number in this Adoption Agreement are references to the Basic Plan Document.

PREAMBLE

ERISA/Code Plan Type: The Employer establishes this Plan as (*choose one of (a) or (b)*):

- (a) **Nonqualified Deferred Compensation Plan.** An unfunded nonqualified deferred compensation plan which is (*choose only one of (i), (ii), (iii) or (iv)*):
- (i) **Excess benefit plan.** An “excess benefit plan” under ERISA §3(36) and exempt from Title I of ERISA.
 - (ii) **Top-hat plan.** A “SERP” or other plan primarily for a “select group of management or highly compensated employees” under ERISA and partially exempt from Title I of ERISA.
 - (iii) **Contractors only.** A plan benefiting only Contractors (non-Employees) and exempt from Title I of ERISA.
 - (iv) **Church plan.** A church plan as described in Code §414(e) and ERISA §3(33) and maintained by a church or church controlled organization under Code §3121(w)(3).
- (b) **Ineligible 457 Plan.** An ineligible 457 Plan subject to Code §457(f). The Employer is (*choose only one of (i), (ii) or (iii)*):
- (i) **Governmental Plan.** A State.
 - (ii) **Tax-Exempt Plan.** A Tax-Exempt Organization. The Plan is intended to be a “top-hat” plan or an excess benefit plan as described in (a)(ii) and (a)(ii) above *or* the Plan benefits only Contractors.
 - (iii) **Church plan.** A church plan as described in Code §414(e) and ERISA §3(33) but which is not maintained by a church or church controlled organization under Code §3121(w)(3).

Note: If the Employer elects (a)(i), the Plan benefits only Employees. If the Employer elects (a)(ii), the Plan generally may not benefit Contractors based on the “primarily” requirement. If the Employer elects (a)(iii), the Plan benefits only Contractors. If the Employer elects (a)(iv), (b)(i), or (b)(iii) the Plan may benefit Employees and Contractors. If the Employer elects (b)(ii), the plan is either a top-hat plan, an excess benefit plan or benefits only Contractors.

409A Plan Type: The Employer establishes this Plan (*choose one of (a) or (b)*):

- (a) **Account Balance Plan.** As the following type(s) of Account Balance Plan(s) under Section 1.02 (*choose one of (i), (ii) or (iii)*):
- (i) **Elective Deferral Account Balance Plan.** See Section 2.02.
 - (ii) **Employer Contribution Account Balance Plan.** See Sections 2.03 and 2.04.
 - (iii) **Both.** Both an Elective Deferral Account Balance Plan and an Employer Contribution Account Balance Plan.

**Nonqualified Deferred Compensation Plan
Adoption Agreement**

Note: For purposes of aggregation under Section 1.05, a Separation Pay Plan based only on Voluntary Separation from Service is treated as an Account Balance Plan. Nevertheless, if the Employer maintains this Plan as any type of Separation Pay Plan, the Employer should elect (b) below.

(b) **Separation Pay Plan.** As the following type(s) of Separation Pay Plan(s) under Section 1.42 (*choose one of (i) through (iv)*):

(i) **Involuntary Separation.**

(ii) **Window Program.**

(iii) **Voluntary Separation.**

(iv) **Combination:** Involuntary Separation, Voluntary Separation and Impending Separation up to 12 months. (*specify*)

Note: Under a Separation Pay Plan, the Employer must limit its payment election to Separation from Service or death. Electing death as a separate payment event would permit a different payment election for death versus any other Separation from Service. Separation from Service may also result from Disability.

Uniformity or Nonuniformity: The nonuniformity provisions described in the Preamble to the Basic Plan Document (*choose one of (a) or (b)*):

(a) **Do not apply.** All Adoption Agreement elections and Plan provisions apply to all Participants.

(b) **Apply.** See Exhibit A to the Adoption Agreement.

**ARTICLE I
DEFINITIONS**

1.11 **Change in Control.** Change in Control means (*choose (a) or choose one of (b), (c) or (d)*):

(a) **Not applicable.** Change in Control does not apply for purposes of this Plan.

(b) **All events.** Change in Control means all events under Section 1.11.

(c) **Limited events.** Change in Control means only the following events under Section 1.11 (*choose one or two of (i), (ii) and (iii)*):

(i) Change in ownership of the Employer.

(ii) Change in the effective control of the Employer.

(iii) Change in the ownership of a substantial portion of the Employer's assets.

(d) (*Specify*):

Note: The Employer may not use the blank in (d) to specify events not described in Treas. Reg. §1.409A-3(i)(5). However, the Employer may increase the percentages required to trigger a Change in Control under one or all three of the listed events.

1.15 **Compensation.** The Employer makes the following modifications to the "gross W-2" definition of Compensation (*choose (a) or at least one of (b) – (e)*):

- (a) **No modifications.**
- (b) **Net Compensation.** Exclude all elective deferrals to other plans of the Employer described in Section 1.15.
- (c) **Base Salary only.** Exclude all Compensation other than Base Salary.
- (d) **Bonus only.** Exclude all Compensation other than Bonus.
- (e) *(Specify):* .

Note: See Section 1.15(B) as to Contractor Compensation.

1.17 **Disability.** Disability means *(choose one of (a) or (b))*:

- (a) **All impairments.** All impairments constituting Disability.
- (b) **Limited.** Only the following impairments constituting Disability: .

1.20 **Effective Date.** The effective date of the Plan is *(choose one of (a) or (b))*:

- (a) **New Plan.** This Plan is a new Plan and is effective April 1, 2015

Note: The effective date should be no earlier than January 1, 2008.

- (b) **Restated Plan.** This Plan is a restated Plan and is restated effective as of . The Plan is restated to comply with Code §409A.

Note: If the Plan (whether or not in written form) was in effect before January 1, 2008, the Plan is a restated Plan.

1.38 **Plan Name.** The name of the Plan as adopted by the Employer is: .

1.39 **Retirement Age.** A Participant's Retirement Age under the Plan is *(choose only one of (a)-(d))*:

- (a) **Not applicable.** Retirement Age does not apply for purposes of this Plan.
- (b) **Age.** The Participant's attainment of age: .
- (c) **Age and service.** The Participant's attainment of age with Years of Service (defined under 1.57) with the Employer.
- (d) *(Specify):* .

1.40 **Separation from Service.** In determining whether a Participant has incurred a Separation from Service under the Plan *(choose one or both or (a) and (b))*:

- (a) **Determination of "Employer."** In determining the "Employer" under Section 1.40(E) and Code §§414(b) and (c), apply the following percentage: *(specify percentage)*.

Note: The specified percentage may not be more than 80% and may not be less than 20%. If the percentage is less than 50%, there must be legitimate business criteria.

- (b) **Collectively Bargained Multiple Employer Plan.** Under Section 1.40(H), the following reasonable definition of Separation from Service applies: *(specify)*.

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1.44 **Specified Employees-Elections.** The Employer makes the following elections relating to the determination of Specified Employees (*choose (a) or choose one or more of (b)-(e)*):

- (a) **Not applicable.** The Employer does not have any Specified Employees or none which benefit under the Plan.
- (b) **Alternative Code §415 Compensation.** The Employer elects the following alternative definition of Code §415 Compensation:
(*specify*).
- (c) **Alternative Specified Employee identification date.** The Employer elects the following alternative Specified Employee identification date:
(*specify*).
- (d) **Alternative Specified Employee effective date.** The Employer elects the following alternative Specified Employee effective date:
(*specify*).
- (e) **Other elections.** The Employer makes the following other elections relating to Specified Employees: (*specify*).

Note: See Treas. Reg. 1.409A-1 (i)(8) as to uniformity requirements affecting the above Specified Employee elections.

1.51 **Unforeseeable Emergency.** Unforeseeable Emergency means (*choose (a) or choose one of (b) or (c)*):

- (a) **Not applicable.** Unforeseeable Emergency does not apply for purposes of this Plan.
- (b) **All events.** All events constituting Unforeseeable Emergency.
- (c) **Limited.** Only the following events constituting Unforeseeable Emergency: .

1.56 **Wraparound Election.** The Plan (*choose one of (a) or (b)*):

- (a) **Permits.** Permits Participants who participate in a 401(k) plan of the Employer to make Wraparound Elections.
- (b) **Not permitted.** Does not permit Wraparound Elections (or the Employer does not maintain a 401 (k) plan covering any Participants).

1.57 **Year of Service.** The following apply in determining credit for a Year of Service under the Plan (*choose (a) or choose one or more of (b) – (e)*):

- (a) **Not applicable.** Year of Service does not apply for purposes of this Plan.
- (b) **Year of continuous service.** To receive credit for one Year of Service, the Participant must remain in continuous employment with the Employer (or render contract service to the Employer) for the Participant's entire Taxable Year.
- (c) **Service on any day.** To receive credit for one Year of Service, the Participant only need be employed by the Employer (or render contract service to the Employer) on any day of the Participant's Taxable Year.
- (d) **Pre-Plan service.** The Employer will treat service before the Plan's Effective Date for determining Years of Service as follows (*choose one of (i) or (ii)*):

- (i) **Include.**
- (ii) **Disregard.**
- (e) *(Specify):*

**ARTICLE II
PARTICIPATION**

2.01 **Participant Designation.** The Employer designates the following Employees or Contractors as Participants in the Plan (*choose one of (a), (b) or (c)*):

- (a) **All top-hat Employees.** All Employees whom the Employer from time to time designates in writing as part of a select group of management or highly compensated employees.
- (b) **All Employees with maximum qualified plan additions or benefits.** All Employees who have reached or will reach their limit under Code §§415(b) or (c) in the Employer's qualified plan for the Taxable Year or for the 415 limitation year ending in the Taxable Year.
- (c) **Specified Employees/Contractors by name, job title or classification:** . (e.g., Joe Smith, Executive Vice Presidents or those Employees/Contractors specified in Exhibit B).

Note: An Employer might elect (c) and reference Exhibit B to maintain confidentiality within the workforce as to the identity of some or all Participants.

2.02 **Elective Deferrals.** Elective Deferrals by Participants are (*choose one of (a), (b) or (c)*):

- (a) **Permitted.** Participants may make Elective Deferrals.
- (b) **Not permitted.** Participants may not make Elective Deferrals.
- (c) **Frozen Elective Deferrals.** The Plan does not permit Elective Deferrals as of: .

2.02(A) **Amount limitation/conditions.** A Participant's Elective Deferrals for a Taxable Year are subject to the following amount limitation(s) or other conditions (*choose (a) or choose at least one of (b) – (d)*):

- (a) **No limitation.**
- (b) **Maximum Elective Deferral amount:** .
- (c) **Minimum Elective Deferral amount:** .
- (d) *(Specify):* .

2.02(B) **Election timing.** A Participant must provide the Elective Deferral election under Section 2.02 to the Employer (*choose one of (a) or (b)*):

- (a) **By the deadline.** No later than the applicable election deadline under Section 2.02(B).
- (b) **Specified date.** No later than _____ days before the applicable election deadline under Section 2.02(B).

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2.02(B)(6) **Final payroll period.** The Plan treats final payroll period Compensation under Section 2.02(B)(6) as *(choose one of (a) or (b))*:

- (a) **Current Year.** As Compensation for the current Taxable Year in which the payroll period commenced.
- (b) **Subsequent Year.** As Compensation for the subsequent Taxable Year in which the Employer pays the Compensation.

2.02(C) **Election changes/Irrevocability.** A Participant who makes an Elective Deferral election before the applicable deadline under Section 2.02(B) *(choose one of (a) or (b))*:

- (a) **May change.** May change the election until the applicable election deadline.
- (b) **May not change.** May not change the election as to the first Taxable Year to which the election applies.

Note: A payment election under Section 4.02(A) or (B) is a separate election which is not controlled by this Section 2.02(C). See Section 4.06(B).

2.02(D) **Election duration.** A Participant's Elective Deferral election *(choose one of (a) or (b))*:

- (a) **Taxable Year only.** Applies only to the Participant's Compensation for the Taxable Year for which the Participant makes the election.
- (b) **Continuing.** Applies to the Participant's Compensation for all Taxable Years, commencing with the Taxable Year for which the Participant makes the election, unless the Participant makes a new election or revokes or modifies an existing election.

2.03 **Nonelective Contributions.** During each Taxable Year the Employer will contribute a Nonelective Contribution for each Participant equal to *(choose (a) or (f) or choose one or more of (b) – (e))*:

- (a) **None.** The Employer will not make Nonelective Contributions to the Plan.
- (b) **Fixed percentage.** % of the Participant's Compensation.
- (c) **Fixed dollar amount.** \$ per Participant.
- (d) **Discretionary.** Such Nonelective Contributions (or additional Nonelective Contributions) as the Employer may elect, including zero.
- (e) *(Specify):* .
- (f) **Frozen Nonelective Contributions.** The Employer will not make any Nonelective Contributions as of: .

2.04 **Matching Contributions.** During each Taxable Year, the Employer will contribute a Matching Contribution equal to *(choose (a) or (i) or choose one or more of (b) – (h))*:

- (a) **None.** The Employer will not make Matching Contributions to the Plan.
- (b) **Fixed match-flat.** An amount equal to % of each Participant's Elective Deferrals for each Taxable Year.

- (c) **Fixed match-tiered.** An amount equal to the following percentages for each specified level of a Participant's Elective Deferrals or Years of Service for each Taxable Year:

Elective Deferrals	Matching Percentage
	%
	%
	%

Note: Specify Elective Deferrals subject to match as a percentage of Compensation or a dollar amount.

Years of Service	Matching Percentage
	%
	%
	%

- (d) **No other caps.** The Employer in applying the Matching Contribution formula under 2.04(b) or (c) above will not limit the Participant's Elective Deferrals taken into account (except as indicated above) and otherwise will not limit the amount of the match.
- (e) **Limit on Elective Deferrals matched.** The Employer in making Matching Contributions will disregard a Participant's Elective Deferrals exceeding *(specify percentage or dollar amount of Compensation)* for the Taxable Year.
- (f) **Limit on matching amount.** The Matching Contribution for any Participant for a Taxable Year may not exceed: *(specify percentage or dollar amount of Compensation)*
- (g) **Discretionary.** Such Matching Contributions as the Employer may elect, including zero.
- (h) *(Specify):* .
- (i) **Frozen Matching Contributions.** The Employer will not make any Matching Contributions as of: .

2.05 Actual or Notional Contribution. The Employer's Contributions will be *(choose one of (a) or (b) and choose (c) as applicable)*:

- (a) **Actual.** Made in cash or property to Participant Accounts or to the Trust.
- (b) **Notional.** Credited to Participant Accounts only as a bookkeeping entry.
- (c) *(Specify):* .

2.06 Allocation Conditions. To receive an allocation of Employer Contributions, a Participant must satisfy the following conditions during the Taxable Year *(choose (a) or choose one or both of (b) and (c))*:

- (a) **No allocation conditions.**
- (b) **Year of continuous service.** The Participant must remain in continuous employment with the Employer (or render contract service to the Employer) for the entire Taxable Year.
- (c) *(Specify):* .

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**ARTICLE III
VESTING AND SUBSTANTIAL RISK OF FORFEITURE**

3.01 **Vesting Schedule/Other Substantial Risk of Forfeiture.** The following vesting schedule or other Substantial Risk of Forfeiture applies to a Participant's Accrued Benefit (*choose (a) or choose one or more of (b) – (f)*):

- (a) **Not applicable.** The Plan does not apply a vesting schedule or other Substantial Risk of Forfeiture.
- (b) **Immediate vesting.** 100% Vested at all times with respect to the entire Accrued Benefit.
- (c) **Immediate vesting (Elective Deferrals)/vesting schedule (Employer Contributions).** A Participant's Elective Deferral Account is 100% Vested at all times. A Participant's Nonelective Contributions Account and Matching Contributions Account are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vesting%</u>
or less	%
	%
	%
	%
or more	100%

- (d) **Vesting schedule - entire Accrued Benefit.** The Participant's entire Accrued Benefit is subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vesting%</u>
or less	%
	%
	%
	%
or more	100%

- (e) **Vesting schedule - class year or all years.** The Plan's vesting schedule applies as follows (*Choose one of (i) or (ii)*):

- (i) **Class year.** Apply the vesting schedule separately to the Deferred Compensation for each Taxable Year.
- (ii) **All years.** Apply the vesting schedule to all Deferred Compensation based on all Years of Service.

- (f) **Other Substantial Risk of Forfeiture.** (*Specify*):

Note: An Employer may elect both a vesting schedule and an additional Substantial Risk of Forfeiture. In such event, a Participant failing to satisfy the conditions resulting in a Substantial Risk of Forfeiture will forfeit his/her Account, even if 100% Vested under any vesting schedule. If the Plan is an Ineligible 457 Plan, the Employer must specify a Substantial Risk of Forfeiture, which may be a vesting schedule provided that under any "graded" vesting schedule, an Ineligible 457 Plan Participant will be taxed as and when each portion of his/her Deferred Compensation vests.

3.02 Immediate Vesting upon Specified Events. A Participant's entire Accrued Benefit is 100% Vested without regard to Years of Service if the Participant's Separation from Service with the Employer on or following or as a result of (choose (a) or choose one or more of (b) – (e)):

- (a) **Not Applicable.**
- (b) **Retirement Age.** On or following Retirement Age.
- (c) **Death.** As a result of death.
- (d) **Disability.** As a result of Disability.
- (e) *(Specify):* .

Note: An early vesting provision generally does not result in prohibited acceleration of benefits under Code §409A. See Section 4.03(C).

3.03 Application of Forfeitures. The Employer will (choose only one of (a) – (d)):

- (a) **Not Applicable.** Not apply any provision regarding allocation of forfeitures since there are no Plan forfeitures.
- (b) **Retain.** Keep all forfeitures for the Employer's account.
- (c) **Allocate.** Allocate (in the year in which the forfeiture occurs) any forfeiture to the Accounts of the remaining (nonforfeiting) Participants, in accordance with one of the following methods (choose only one):
 - (i) **Per Compensation.** In the same ratio each Participant's Compensation for the Taxable Year bears to the total Compensation of all Participants sharing in the forfeiture allocation for the Taxable Year.
 - (ii) **Per Account balances.** In the same ratio each Participant's Account balance at the beginning of the Taxable Year bears to the total Account balances of all Participants sharing in the forfeiture allocation for the Taxable Year.
- (d) *(Specify):* .

Note: If the Employer elects to create the Trust under Section 5. 03, the Employer should coordinate its forfeiture application elections with the provisions of the Trust.

ARTICLE IV BENEFIT PAYMENTS

4.01 Payment Events/Elections. The Plan payment events are (choose one or more of (a) through (i) as applicable):

Note: The Employer must elect the Plan permitted payment events. The Employer may elect all of the 409A permitted events or limit the payment events, but the Employer must elect at least one payment event. If the Plan permits initial payment elections, change payment elections, or both, as to any or all of the Plan permitted payment events, the Employer should elect 4.01 (d)(iv), (e)(ii) and (i) as applicable. The Employer also should elect under 4. 02(A) and 4. 02(B) as to who has election rights and to specify any limitations on such rights. If the Plan will not offer any initial or change payment elections, the Employer should not elect 4.01(d)(iv), (e)(ii) or (i). If the Plan will not offer any initial payment elections the Employer also should elect 4.02(A)(a). If the Plan will not offer change payment elections, the Employer also should elect 4.02(B)(a).

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(a) **Separation from Service.**

(b) **Death.**

(c) **Disability.**

(d) **Specified Time.** The Plan permits payment to a Participant at a Specified Time (*choose one of (i)-(iv)*):

(i) **Forfeiture Lapse.** At the time that the Deferred Compensation no longer is subject to a Substantial Risk of Forfeiture.

(ii) **Stated Age.** Upon attainment of age: (specify age).

(iii) (*Specify*): On: (e.g., January 1, 2015).

(iv) **Election.** In accordance with a Participant or Employer election under 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06. Payment at a Specified Time will be a lump-sum payment.

(e) **Fixed Schedule.** The Plan Permits payment to a Participant in accordance with the following Fixed Schedule (*choose one of (i) or (ii)*):

(i) **Schedule:**

(ii) **Election.** In accordance with a Participant or Employer election under 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06. Payment pursuant to a Fixed Schedule will be installments or an annuity commencing at a specific time.

(f) **Change in Control.** The Plan permits payment to a Participant based on a Change in Control.

(g) **Unforeseeable Emergency.** The Plan permits payment to a Participant who has an Unforeseeable Emergency.

(h) (*Specify*): (e.g., based on Unforeseeable Emergency, but only as the Elective Deferral Accounts).

Note: The Employer in (h) may modify any of (a)-(g) but only if such modifications are consistent with Code §409A.

(i) **Election.** As to 4.01 (a), (b), (c), (f), (g) and/or (h), in accordance with a Participant or Employer election under 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06.

4.01(E) **Contractor deemed Separation from Service.** In making any payment to a Contractor based on Separation from Service, the Plan (*choose (a) or choose one of (b) or (c)*):

(a) **Not applicable.** \ Only Employees are Participants in the Plan.

(b) **Applies deemed Separation from Service.** Applies the deemed Separation from Service provisions of Section 4.01 (E).

(c) **Does not apply.** Does not apply the deemed Separation from Service provisions of Section 4.01(E).

4.02 **Timing, Form and Medium of Payment/Elections.** The Plan will pay a Participant's Vested Accrued Benefit as follows (*complete (a), (b) and (c)*):

(a) **Timing.** Payment will commence or be made (*choose only one of (i) – (vi)*):

(i) **30 days.** On a date which is 30 days following the payment event, unless otherwise made at a Specified Time or in accordance with a Fixed Schedule.

(ii) **90 days.** On a date which is within 90 days following the payment event, unless otherwise made at a Specified Time or in accordance with a Fixed Schedule.

Note: A Participant may not designate the Taxable Year of Payment under (a)(ii).

(iii) **6 months.** On a date that is 6 months following the payment event, unless otherwise made at a Specified Time or in accordance with a Fixed Schedule.

(iv) **Specified Time/Fixed Schedule.** At the Specified Time under Section 4.01 (d) or pursuant to the Fixed Schedule under Section 4.01(e).

(v) (*Specify*): .

(vi) **Election.** In accordance with a Participant or Employer election under Sections 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06(C).

Note: See Section 4.01 (D) as to restrictions on timing of payments to Specified Employees.

(b) **Form.** The Plan will make payment in the form of (*choose one or more of (i) – (v)*):

(i) **Lump-sum.** A single payment.

(ii) **Installments.** In installments as follows: .

(iii) **Annuity.** An immediate annuity contract.

(iv) (*Specify*): .

(v) **Election.** In accordance with a Participant or Employer election under Sections 4.02(A) or (B).

Note: The Employer must approve any Participant payment election. See Section 4.06.

(c) **Medium.** The form of payment will be (*choose only one of (i) - (iv)*):

(i) **Cash only.**

(ii) **Property only.**

(iii) **Property or cash** (or both).

(iv) **Election.** In accordance with a Participant or Employer election under 4.02(A) or (B).

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Note: The Employer must approve all Participant payment elections. See Section 4.06.

Note: A choice between cash or property is not subject to Code §409A. See Treas. Reg. §1.409A-2(a)(1). The Plan treats this election as not being subject to the timing rules applicable to payment elections.

4.02(A) **Initial payment elections.** The Plan (choose only one of (a) - (d)):

- (a) **No initial payment elections.** The Plan and Adoption Agreement specify the payment events and the timing, form and medium of payment. If there are multiple payment events, the Plan will make payment based on the earliest event to occur except as follows: *(indicate no exceptions or specify sequencing)*
- (b) **Participant initial payment election.** Permits a Participant initially to elect the payment event and the timing, form and medium of payment of his/her Deferred Compensation in accordance with Section 4.02(A) (choose only one of (i) or (ii)):
 - (i) **All Accounts.** The Plan applies a Participant's elections to all of the Participant's Accounts under the Plan.
 - (ii) **Elective Deferral Account.** The Plan applies a Participant's elections only to the Participant's Elective Deferral Account. The Employer will make all payment elections as to Nonelective and Matching Contribution Accounts.

Note: A Participant must elect a payment event from those which the Employer has elected under 4.01 above, unless the Employer has permitted a Participant to elect the 409A permissible payment events. A Participant in his/her election form may limit the payment election to Compensation Deferred at the time of the election or also may apply the payment election to all future Deferred Compensation.

- (c) **Employer initial payment election.** Permits the Employer (and not the Participant) initially to elect the payment events and the timing, form and medium of payment of all Participant Accounts in accordance with Section 4.02(A).
- (d) (Specify): *(e.g., the Participant may make an election only as to the Participant's Grandfathered Amounts)*

Note: If a Participant or the Employer does not make an initial payment election, see Sections 4.01 (B) and 4.02(A)(5).

4.02(B) **Change payment elections.** The Plan (choose only one of (a) or (b); choose (c) if (b) applies and choose (d) if applicable):

Note: Even if the Employer under 4.02(A)(a) elects not to permit any Participant or Employer initial payment elections, the Plan under Section 4.02(A)(1) treats a Plan designation of the payment events and of the timing, form and medium of payment as an initial election for purposes of applying any change election the Plan permits.

- (a) **Change payment elections not permitted.** Does not permit a Participant, a Beneficiary or the Employer to make a change payment election in accordance with Section 4.02(B).
- (b) **Permits change payment elections.** Permits changes payment elections or changes to a change payment elections in accordance with Section 4.02(B) and as follows (choose one or more of (i) -(iv)):
 - (i) **Participant election.** Permits a Participant to make change payment elections.
 - (ii) **Employer election.** Permits the Employer to make change payment elections.

EMPLOYER SIGNATURE

The Employer hereby agrees to the provisions of this Plan, and in witness of its agreement, the Employer, by its duly authorized officer, has executed this Adoption Agreement on _____,

Name of Employer: Ponce DeLeon Federal Bank
Employer's EIN: 13-1919096



Signed: _____
[Name/Title]

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**TRUSTEE SIGNATURE
[If Trust created under Section 5.03]**

The Trustee(s), by executing this Adoption Agreement on 04-29-2015, accept(s) the appointment as Trustee of the Trust created under Section 5.03 of the Plan and attached hereto as Exhibit C.

Name of Trustee(s): _____



Signed: _____

Signed: _____

[Name/Title]

[Name/Title]

Employment Agreement

This Employment Agreement (the “**Agreement**”) is made and entered into as of March 23, 2017, by and between Carlos P. Naudon (the “**Executive**”) and Ponce De Leon Federal Bank, a federally chartered bank (the “**Bank**”).

WHEREAS, the Executive currently serves as President and Chief Operating Officer of the Bank;

WHEREAS, it is contemplated that the Bank will become a wholly-owned subsidiary of PDL Community Bancorp, a federally chartered savings and loan holding company (the “**Bancorp**”);

WHEREAS, it is contemplated that the Bancorp will become majority owned by Ponce Bank Mutual Holding Company, a federally chartered mutual holding company (the “**MHC**”); and

WHEREAS, the Executive desires to continue to be employed by the Bank on the terms and conditions set forth herein, and the Bank desires to continue to employ the Executive on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive’s employment hereunder shall be effective as of the date first written above (the “**Effective Date**”) and shall continue until the third anniversary of the Effective Date unless terminated earlier pursuant to **Section 5** of this Agreement or extended in accordance with this Section.

Commencing on the first anniversary of the Effective Date, and continuing on each anniversary thereof, the term of this Agreement shall be extended for one year until such time as the disinterested members of the Board of Directors of the Bank (the “**Board**”) or the Executive elects not to extend the term of this Agreement by giving written notice to the other party at least 90 days in advance of any such anniversary date.

The Board will review this Agreement and Executive’s performance annually for purposes of determining whether to extend this Agreement and the rationale and results thereof shall be included in the minutes of the Board’s meeting. The Board shall give notice to the Executive as soon as practicable after such review as to whether this Agreement is to be extended. The period during which the Executive is employed by a Bank hereunder is hereinafter referred to as the “**Employment Term**.” The Board shall conduct periodic reviews of the Executive’s performance at least annually and prior to the 90-day written notice which is required to be provided to the Executive of non-renewal and may increase, but not decrease, the Executive’s salary, benefits and other compensation hereunder.

2. **Positions and Duties.**

2.1 **Positions.** During the Employment Term the Executive shall serve as the President and Chief Operating Officer of the Bank and shall report to the Board and the Chief

Executive Officer of the Bank. No later than one year after the effective date of the completion of the MHC reorganization, or January 1, 2019, if earlier, the Executive shall resign as Chief Operating Officer of the Bank and be appointed as President and Chief Executive Officer of the Bank. In such positions, the Executive shall have such duties, authority and responsibility as shall be determined from time to time by the Board (and the Chief Executive Officer of the Bank during the portion of the Employment Term during which the Executive is the Chief Operating Officer of the Bank), which duties, authority and responsibility are consistent with the Executive's position. In addition, if requested, the Executive will also serve as an officer or director of any subsidiary of the Bank for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board. Notwithstanding the foregoing, the Executive will be permitted to:

- (a) with the prior written consent of the Bank's Chairman of the Compensation Committee, act or serve as a director, trustee, committee member or advisor of any type of business, civic or charitable organization; and
- (b) purchase or own less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company;

provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the Bank as provided hereunder.

3. Place of Performance. The principal place of the Executive's employment shall be the Bank's executive office currently located in Bronx, New York; provided that, the Executive will be required to travel on Bank business during the Employment Term. The Bank shall provide the Executive at his principal place of employment with a private office, secretarial services and other support services and facilities suitable to his positions with the Bank as necessary or appropriate in connection with the performance of his assigned duties under this Agreement.

4. Compensation.

4.1 Base Salary. The Bank shall pay the Executive a base annual salary of \$605,000 in periodic instalments in accordance with the Bank's customary payroll practices, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Incentive and/or Bonus Compensation. In addition to the foregoing minimum Base Salary, the Executive shall be eligible during the term of this Agreement to receive incentive compensation determined and payable in accordance with any incentive compensation plans of the Bank in effect from time to time for members of executive management generally.

4.3 Fringe Benefits and Perquisites. During the Employment Term, the Executive shall be entitled to fringe benefits and perquisites consistent with the practices of the Bank, and to the extent the Bank provides similar benefits or perquisites (or both) to similarly situated executives of the Bank.

4.4 Participation in Benefit and Retirement Plans. The Executive shall participate in and receive the benefits of any plan of the Bank or any of its affiliates that may be or may become applicable to executive management relating to pension or other retirement benefit plans, tax deferred compensation plans, profit-sharing, stock options, restricted stock or any other stock based plans or incentive plans, or other plans, benefits and privileges given to employees and executives of the Bank, to the extent commensurate with his then duties and responsibilities as fixed by the Bank. The Bank reserves the right to amend or cancel any benefit plan or program at any time in its sole discretion, subject to the terms of such benefit plan or program and applicable law.

4.5 Disability Benefits. The Bank will establish a long-term disability plan that will provide the Executive with disability benefits for the remaining term of this Agreement in the event he is disabled equal to 100% of his base annual salary hereunder.

4.6 Vacation. During the Employment Term, the Executive shall be entitled to four weeks paid vacation days per calendar year (pro-rated for partial years) in accordance with the Bank's vacation policies, as in effect from time to time.

4.7 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with an expense reimbursement policy and procedures approved by the Bank.

4.8 Automobile Allowance. During the Employment Term, the Bank shall provide to Executive, at no cost to the Executive, the use of a Bank-owned or Bank-leased vehicle of a cost and quality reasonably acceptable to the Bank but, in any event, equal to or exceeding the cost and quality of the vehicle currently used by the Executive. The Bank shall pay, or reimburse the Executive for, all costs associated with operating, maintaining and insuring such automobile.

4.9 SERP. During the Employment Term, the Bank shall contribute to the supplemental employee retirement program for the Executive's benefits 10% of his Base Salary in effect as of July 1st of each year.

4.10 Indemnification and Insurance.

- (a) The Bank shall indemnify the Executive (and his heirs, executors and administrators) for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any subsidiary or affiliate of the Bank

(whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements; provided, however, that the Bank cannot indemnify the Executive for a settlement or final judgment against the Executive (or a final judgement in the Executive's favor, other than on the merits) unless a majority of the disinterested directors of the Bank determine that the Executive was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed under the circumstances was in the best interests of the Bank.

- (b) Notwithstanding the foregoing, no indemnification shall be made under this **Section 4.10** unless the Bank gives the Office of the Comptroller of the Currency (the "OCC") at least 60 days' notice of its intention to make such indemnification. Such notice shall state the facts on which the action arose, the terms of any settlement, and any disposition of the action by a court. Such notice, a copy thereof, and a certified copy of the resolution containing the required determination by the board of directors shall be sent to the Assistant Deputy Comptroller for the Northeastern District Officer of the OCC. The notice period shall run from the date of such receipt. No such indemnification shall be made if the OCC advises the Bank in writing within such notice period of its objection thereto.
- (c) The Bank shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at its expense for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any subsidiary or affiliate of the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities). However, such coverage may not provide for payment of losses of any individual incurred as a consequence of his willful or criminal misconduct.
- (d) If a majority of the directors of the Bank conclude that, in connection with an action, the Executive (including his heirs, executors and administrators) may ultimately may become entitled to indemnification under this **Section 4.10**, the directors may authorize payment of reasonable costs and expenses, including reasonable attorneys' fees, arising from the defense or settlement of such action. Nothing in this subsection (d) shall prevent the directors of the Bank from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the Bank. Before making advance payment of expenses under this subsection (d), the Bank shall obtain an agreement that it will be repaid if the person on whose behalf payment is made is later determined not to be entitled to such indemnification.

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- (e) The Bank shall not indemnify any person referred to in **Section 4.10(a)** or provide any insurance referred to in **Section 4.10(c)** other than in accordance with this **Section 4.10**; provided, however, if the Bank has a bylaw in effect relating to indemnification of its personnel, any indemnification under that bylaw shall be governed solely by that bylaw.
 - (f) Any indemnification made by the Bank pursuant to this **Section 4.10** shall be made in accordance with the requirements of 12 C.F.R. §145.121 or any successor provision, and is subject to and qualified by 12 U.S.C. §1821(k).

4.11 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Bank which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as shall be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Bank pursuant to any such law, government regulation or stock exchange listing requirement).

4.12 Required Regulatory Provisions.

- (a) The Bank may terminate the Executive's employment with the Bank at any time, but any termination by the Bank, other than termination for Cause, shall not prejudice the Executive's right to receive compensation or other benefits under this Agreement. The Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause. For purposes of this **Section 4.12(a)**, "Cause" means personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach by Executive of any provision of this Agreement.
- (b) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1); the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended; and (ii) reinstate (in whole or in part) any of the obligations which were suspended.
- (c) If the Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

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- (d) If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1), all obligations of the Bank under this contract shall terminate as of the date of default, but this paragraph (d) shall not affect any vested rights of the Executive or the Bank.
 - (e) All obligations of the Bank under this Agreement shall be terminated, except to the extent it is determined that continuation of this Agreement is necessary for the continued operation of the Bank by the Comptroller of the Currency (the "Comptroller") or his or her designee, at the time the Federal Deposit Insurance Corporation (the "FDIC") enters into an agreement to provide assistance to or on behalf of the Bank under (the authority contained in Section 13(c) of the Federal Deposit Insurance Act, 12 U.S.C. §1823(c); or by the Comptroller (or his or her designee) at the time the Comptroller (or his or her designee) approves a supervisory merger to resolve problems related to the operations of the Bank, or when the Bank is determined by the Comptroller to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.
 - (f) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. §1828(k) and any rules and regulations promulgated thereunder, including 12 C.F.R. Part 359.

5. Termination of Employment. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights pursuant to this Agreement to any compensation or any other benefits from the Bank.

5.1 Expiration of the Term, Termination for Cause or Without Good Reason.

- (a) The Executive's employment hereunder may be terminated by the Bank upon the expiration of the Employment Term without extension or during the Employment Term by the Bank for Cause or by the Executive without Good Reason. If the Executive's employment is so terminated, the Executive shall be entitled to receive:
 - (i) any accrued but unpaid Base Salary and accrued but unused vacation pay which shall be paid on the pay date immediately following the Termination Date (as defined in **Section 5.6** below) in accordance with the Bank's customary payroll procedures;
 - (ii) any earned but unpaid annual bonus with respect to any completed calendar year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date, except to the extent payment is otherwise deferred pursuant to any applicable deferred compensation arrangement;
 - (iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Bank's expense reimbursement policy; and
 - (iv) such employee benefits (including equity compensation), if any, as to which the Executive may be entitled under the Bank's employee benefit plans as of the Termination Date.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the “**Accrued Amounts**”.

- (b) Except as provided in **Section 4.12**, for purposes of this Agreement, “**Cause**” shall mean:
- (i) the Executive’s conviction of any crime involving fraud, embezzlement, theft or dishonesty, or any similar issue that in the reasonable opinion of the Board would materially and negatively impact the reputation of the Bank or any of its subsidiaries or the Executive’s ability to perform his duties;
 - (ii) serious willful misconduct by the Executive, including a material violation of a material provision of the Bank’s Code of Conduct or the Executive’s material personal dishonesty in connection with the business or customers of the Bank or the material breach of fiduciary duty to the Bank or its customers for personal profit;
 - (iii) any material breach by the Executive of any material provision of this Agreement;
 - (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Board or the Chief Executive Officer of the Bank, other than any failure resulting from the Executive’s incapacity due to physical or mental injury or illness;
 - (v) any willful failure to keep confidential material information of the Bank or its subsidiaries confidential (except as necessary to the performance of his duties in his reasonable discretion);
 - (vi) the Executive’s arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the sole opinion of two-thirds or more of the full membership of the Board (excluding the Executive) has caused a material negative impact the reputation of the Bank or prevents the Executive from substantially performing his duties hereunder; or
 - (vii) if the regulatory authorities of the Bank issue an order removing the Executive from his positions at the Bank, or if such regulatory authorities inform the Board that the continuation of the Executive in his officer positions at the Bank would constitute an unsafe and unsound banking practice.

The Bank cannot terminate the Executive’s employment for Cause unless it has provided written notice to the Executive of the existence of the circumstances providing grounds for termination for Cause and the Executive has had 30 days from the date on which such notice is provided to cure such circumstances, if such grounds are curable

(e.g., conviction is not curable). If the Executive remedies the condition within such 30-day cure period, then no Cause shall be deemed to exist with respect to such condition. If the Executive does not remedy the curable condition within such 30-day cure period, then the Bank may deliver a notice of termination for Cause at any time following the expiration of such cure period.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Bank. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board or based upon the written advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Bank.

In the event that the Executive is terminated for Cause based on **Section 5.1(b)(i)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

- (c) For purposes of this Agreement, “**Good Reason**” shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive’s written consent:
- (i) any reduction in the Executive’s Base Salary;
 - (ii) a material reduction in the Executive’s target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
 - (iii) a relocation of the Executive’s principal place of employment outside of the Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey;
 - (iv) any material breach by the Bank of any material provision of this Agreement;
 - (v) a material, adverse change in the Executive’s title, authority, duties or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law);
 - (vi) the Executive is not reappointed as a member of the Board;
 - (vii) a material adverse change in the reporting structure applicable to the Executive, including any requirement that the Executive report to a corporate officer of the Bank other than the Chief Executive Officer of the Bank; or
 - (viii) the failure of the Bank to extend this Agreement in accordance with **Section 1** hereof.

The Executive cannot terminate his employment with respect to the Bank for Good Reason unless he has provided written notice to the Bank of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the Bank has had 30 days from the date on which such notice is provided to cure such circumstances. If the Bank remedies the condition within such 30-day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Bank does not remedy the condition within such 30-day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within 60 days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within 60 days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason with respect to such grounds.

5.2 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder with the Bank may be terminated by the Executive for Good Reason or by the Bank without Cause. In the event of such termination (unless **Section 5.4** below is applicable), the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a mutually agreeable release of claims in favor of the Bank and its subsidiaries and their respective officers and directors, which release the parties shall not unreasonably decline to agree on (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**"), the Executive shall be entitled to receive the following:

- (a) A lump sum payment equal to the sum of: (i) 3.0 times (2.0 times in the case of a resignation for Good Reason pursuant to **Section 5.1(c)(viii)**) the sum of the Executive's then current Base Salary and the annual bonus and any other cash compensation earned for the calendar year prior to the calendar year in which the Termination Date occurs; and (ii) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the Bank or any affiliate of the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the Bank provided the Release shall have become effective prior to that date.
- (b) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("**COBRA**"), the Bank shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
 - (i) the second year anniversary of the Termination Date;

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- (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
 - (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

Notwithstanding the foregoing, the Bank is not required to pay any amounts pursuant to this **Section 5.2(b)** if the Bank determines, in its sole discretion, that the reimbursement would result in a violation of the nondiscrimination rules of section 105(h)(2) of the Internal Revenue Code of 1986 (the “Code”) or any statute or regulation of similar effect (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act).

- (c) A lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the Bank’s similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

5.3 Death or Disability.

- (a) The Executive’s employment hereunder shall terminate automatically upon the Executive’s death during the Employment Term, and the Bank may terminate the Executive’s employment with the Bank on account of the Executive’s Disability.
- (b) If the Executive’s employment is terminated during the Employment Term on account of the Executive’s death or Disability, the Executive (or the Executive’s estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:
 - (i) the Accrued Amounts; and
 - (ii) a lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the Bank’s similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.
- (c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Bank’s long-term disability plan, or if there is no such plan, the Executive’s inability, due to physical or mental incapacity, to substantially perform his essential duties and responsibilities under this Agreement for 90 days out of any 365-day period; provided however, in the event the Bank temporarily replaces the Executive, or transfers the Executive’s duties or responsibilities to another individual on

account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive's employment shall not be deemed terminated by the Bank and the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the Bank cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Bank. If the Executive and the Bank cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Bank and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Change in Control Termination.

- (a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Bank without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within 24 months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a Release which becomes effective as provided therein, for which the Bank assigns significant value in agreeing to this **Section 5.4**, the Executive shall be entitled to receive the following:
- (i) A lump sum payment upon the effectiveness of the Release equal to the sum of: (y) 2.99 times his highest annual compensation for services rendered that was includible in the Executive's gross income (partial years being annualized) for the immediately preceding three taxable years (or such shorter period as the Executive was employed); and (z) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the Bank or any affiliate of the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the Bank provided the Release shall have become effective prior to that date.
 - (ii) If the Executive timely and properly elects continuation coverage under COBRA, the Bank shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
 - (x) the second year anniversary of the Termination Date;

(y) the date the Executive is no longer eligible to receive COBRA continuation coverage; and

(z) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

- (b) For purposes of this Agreement, a “**Change in Control**” shall mean an event involving the Bank that: (i) would be required to be reported in response to Item 5.01 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”); or (ii) results in a Change in Control of the Bank within the meaning of the Home Owners’ Loan Act of 1933, as amended, the Federal Deposit Insurance Act, or the Rules and Regulations promulgated by the OCC, as in effect on the date hereof (provided, that in applying the definition of change in control as set forth under the rules and regulations of the OCC, the Board shall substitute its judgment for that of the OCC); or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as:
- (i) any “**person**” (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of voting securities of the Bank representing 20% or more of the Bank’s outstanding voting securities or right to acquire such securities except for any voting securities purchased by any employee benefit plan of the Bank or by the Ponce De Leon Foundation;
 - (ii) individuals who constitute the Board on the date hereof (the “**Incumbent Board**”) cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the Bank’s stockholders was approved by a Nominating Committee solely composed of members which are Incumbent Board members, shall be, for purposes of this clause (B), considered as though he were a member of the Incumbent Board;
 - (iii) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Bank or similar transaction occurs or is effectuated in which the Bank is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required federal regulatory approvals not including the lapse of any statutory waiting periods;
 - (iv) a proxy statement has been distributed soliciting proxies from stockholders of the Bank, by someone other than the current management of the Bank, seeking stockholder approval of a plan of reorganization, merger or consolidation of the Bank with one or more companies as a

result of which the outstanding shares of the class of securities then subject to such plan or transaction are exchanged for or converted into cash or property or securities not issued by the Bank; or

- (v) a tender offer is made for 20% or more of the voting securities of the Bank then outstanding.

In no event, however, shall a Change in Control be deemed to have occurred as a result of: (X) any acquisition of securities or assets of the MHC or the Bancorp by the MHC or the Bancorp, by one or more subsidiaries of the MHC or the Bancorp, by any employee benefit plan maintained by the MHC, the Bancorp or the Bank or by the Ponce De Leon Foundation; (Y) an initial public offering of securities issued by Bancorp; or (Z) the conversion of the MHC to stock form, any reorganization used to effect such a conversion, or any offering of securities in connection with such conversion.

5.5 **Notice of Termination.** Any termination of the Executive's employment hereunder by the Bank or by the Executive during the Employment Term (other than termination pursuant to **Section 5.3(a)** on account of the Executive's death) shall be communicated by a written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with **Section 21**. The Notice of Termination shall specify:

- (a) the termination provision of this Agreement relied upon;
- (b) to the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
- (c) the applicable Termination Date.

5.6 **Termination Date.** The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;
- (c) If the Bank terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;
- (d) If the Bank terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; or
- (e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a “**separation from service**” within the meaning of Code section 409A.

5.7 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.8 Resignation of All Other Positions. Upon termination of the Executive’s employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors (or a committee thereof) of the Bank or any of its subsidiaries.

5.9 Code Section 280G.

- (a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive’s termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the “**280G Payments**”) constitute “parachute payments” within the meaning of Code section 280G and will be subject to the excise tax imposed under Code section 4999 (the “**Excise Tax**”), then such 280G Payments shall be reduced by the minimum amount required so that no amount payable to the Executive will be subject to the Excise Tax (with the cash severance under this Agreement to be reduced first and with any further reductions that may be required to be determined by Tax Counsel (as defined below) in a manner that minimizes the impact to the Executive).
- (b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Bank (the “**Tax Counsel**”) whose determinations shall be conclusive and binding on the Bank and the Executive for all purposes. For purposes of making the calculations and determinations required by this **Section 5.9**, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Code sections 280G and 4999. The Bank and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this **Section 5.9**. The Bank shall bear all costs the Tax Counsel may reasonably incur in connection with its services.
- (c) The Bank’s obligations under this Section shall not be conditioned upon the Executive’s termination of employment. By way of example, in the event of a Change in Control that does not result in Executive’s termination of employment or entitlement to severance benefits under this Agreement, but which causes the

accelerated vesting of any shares of restricted stock, stock options or other awards issued to the Executive giving rise to an Excise Tax, the Bank's obligations under this Section shall apply with respect to such accelerated vesting.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Bank, the Executive shall cooperate with the Bank in connection with matters arising out of the Executive's service to the Bank; provided that, the Bank shall make reasonable efforts to minimize disruption of the Executive's other activities. The Bank shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation, including reasonable attorney's fees, and compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally available and known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Bank or any of its subsidiaries, or of any other person or entity that has entrusted information to the Bank in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the Bank as if the Bank furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

Without otherwise limiting the foregoing, the parties agree that this Agreement and the terms hereof ("**Contract Information**") shall constitute Confidential Information unless and until the Bank determines that it or they must or should be disclosed, in whole or in part. The Bank intends to coordinate any such required or desired disclosure of Contract Information with the Executive.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as needed in the performance of the Executive's authorized employment duties to the Bank; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or

other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Bank, except as needed in the performance of the Executive's authorized employment duties to the Bank and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment with the Bank) and shall continue during and after his employment by the Bank until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Bank. The Executive understands and acknowledges that the intellectual services he provides to the Bank are unique, special or extraordinary.

The Executive further understands and acknowledges that the Bank's ability to reserve these services for the exclusive knowledge and use of the Bank is of great competitive importance and commercial value to the Bank, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the Bank's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of one year, beginning on the last day of the Executive's employment with the Bank, for any reason or no reason and whether employment is terminated at the option of the Executive or the Bank, the Executive agrees and covenants not to engage in Prohibited Activity within any county or borough in which the Bank or any of its subsidiaries maintains as of the Termination Date or has pending as of the Termination Date a filing for permission to establish a branch, loan production office, or mortgage production office (the "**Restricted Area**").

For purposes of this **Section 8.2**:

- (a) "**Prohibited Activity**" is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity becomes affiliated with any FDIC insured institution (or affiliate thereof) headquartered or with branches in the New York City metropolitan area;
- (b) "**become affiliated**" shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the Bank or any of its subsidiaries, and shall include without limitation being employed by any FDIC insured institution which has a branch or other place of business in the Restricted Area, but shall exclude the permitted activities under **Section 2.2**.

Nothing herein shall prohibit the Executive from purchasing or owning less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Bank or any of its subsidiaries for the term of one year, beginning on the last day of the Executive's employment with the Bank.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Bank, he will have access to and learn about much or all of the customers, prospective customers and referral sources of the Bank and its subsidiaries. The Executive understands and acknowledges that loss of these customer and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one year, beginning on the last day of the Executive's employment with the Bank, not to directly or indirectly (a) solicit any actual or prospective customer or customer-referral source who had a business relationship with the Bank or any of its subsidiaries during the period of time in which the Executive was employed by the Bank, it being expressly agreed that soliciting a referral from a prospective customer or customer-referral source is included within this prohibition; or (b) encourage any such customer or customer-referral source to turn down, terminate or reduce a business relationship with the Bank or any of its subsidiaries.

8.5 Non-disparagement. Executive agrees and covenants that he will not at any time following the termination of his employment with the Bank, make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Bank or any of its subsidiaries or their respective businesses, or any of their employees, officers, and existing and prospective customers. Nothing contained in this **Section 8.5** shall preclude (i) the Executive from reporting information to, or participating in any investigation or proceeding conducted by, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, or any federal, state, or local governmental agency or entity; (ii)

either Executive or the Bank from making truthful statements or disclosures that are required by applicable law, regulation or legal process; or (iii) either Executive or any Bank from enforcing their respective rights under this Agreement.

8.6 Non-Interference Covenant. For a period of one year, beginning on the last day of the Executive's employment with the Bank, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

- (a) solicit, employ, or otherwise interfere with any of the contracts or relationships of the Bank or any of its subsidiaries with any employee, officer, director or any independent contractor who is employed by or associated with the Bank or any of its subsidiaries as of the Termination Date; or
- (b) actively solicit or cause to be solicited, or otherwise actively interfere with, any of the contracts or relationships of the Bank or any of its subsidiaries with any independent contractor, customer, client or supplier of the Bank or any of its subsidiaries.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the Bank or any of its subsidiaries shall be the sole property of the Bank. Upon termination of his employment with the Bank, the Executive shall deliver the same to the Bank and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the Bank all other property in his possession owned by the Bank upon the termination of his employment.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by his to the Bank are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Bank's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Bank.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the Bank's rights under **Section 7** and **Section 8** of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of **Section 6** and **Section 7** of this Agreement or the Bank's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the Bank shall be

entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the Bank, or any other dispute arising out of this Agreement which cannot be resolved by any party upon 30 days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in New York City, New York in accordance with the then prevailing Employment Dispute Resolution Rules of the American Arbitration Association by a single arbitrator. The judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This **Section 11** shall not in any way restrict the right of the Bank or the Executive to obtain injunctive relief from a court of competent jurisdiction.

The Bank shall pay all arbitration costs and all other costs in connection with any arbitration proceeding hereunder, including but not limited to reasonable attorneys' fees incurred by the Executive in connection with the arbitration.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed and enforced in all respects in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws, and in accordance with and subject to any applicable federal laws to which the Bank may be subject as a federally chartered FDIC insured institution. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of **Section 11** above shall be brought only in a state or federal court located in New York City, New York. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Bank pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that this Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of this Agreement.

14. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Chairman of the Board. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

15. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

16. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

17. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

18. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the time period for compliance with such obligations shall be tolled for the full period in which the Executive is in violation of such obligations, with the tolled period to be added to the period of time remaining following the first date on which the Executive ceases to be in violation of such obligation.

19. Code Section 409A.

19.1 This Agreement is intended to comply with Code section 409A or an exemption thereunder and shall be construed and administered in accordance with Code section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Code section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Code section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Code section 409A to the maximum extent possible.

19.2 For purposes of Code section 409A, each installment payment provided under this Agreement shall be treated as a separate payment.

19.3 For purposes of this Agreement, any reference to “termination” of Executive’s employment or similar term shall be interpreted consistent with the meaning of the term “separation from service” in Code section 409A(a)(2)(A)(i) and no portion of any benefits payable to Executive on account of any such “termination” shall be paid prior to the date such Employee incurs a separation from service under Code section 409A(a)(2)(A)(i).

19.4 Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year.

19.5 All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code section 409A to the extent that such reimbursements or in-kind benefits are subject to Code section 409A. All expenses or reimbursements paid pursuant to this Agreement that are taxable income to the Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which the Employee incurs such expense or pays the related tax. With regard to any provision in this Agreement for the right to reimbursement or in-kind benefits, such right shall not be subject to liquidation or exchange for another benefit, the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Code section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect, and such payments shall be made on or before the last day of the Employee’s taxable year following the taxable year in which the expense was incurred.

19.6 Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute “nonqualified deferred compensation” within the meaning of Code section 409A and the Executive is determined to be a “specified employee” as defined in Code section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the “**Specified Employee Payment Date**”), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Code section 409A. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

19.7 Notwithstanding the foregoing, the Bank makes no representations that the payments and benefits provided under this Agreement comply with Code section 409A and in no event shall any of the Bank be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Code section 409A.

20. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Bank may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Bank. This Agreement shall inure to the benefit of the Bank and permitted successors and assigns.

21. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Bank or its successor:

Chair of the Board of Directors
Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Chief Executive Officer
Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

If to the Executive:

Carlos P. Naudon
c/o Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Carlos P. Naudon
(last home address on file with the Bank)

22. Representations of the Executive. The Executive represents and warrants to the Bank that:

22.1 The Executive's acceptance of employment with the Bank and the performance his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

22.2 The Executive's acceptance of employment with the Bank and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

23. Withholding. The Bank shall have the right to withhold from any amount payable hereunder any federal, state and local taxes in order for the Bank to satisfy any withholding tax obligation it may have under any applicable law or regulation.

24. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

25. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PONCE DE LEON FEDERAL BANK

By /s/ Steven A. Tsavaris
Name: Steven A. Tsavaris
Title: Chairman of the Board of Directors

EXECUTIVE

Signature: /s/ Carlos P. Naudon
Name: Carlos P. Naudon

Employment Agreement

This Employment Agreement (the “**Agreement**”) is made and entered into as of _____, 2017, by and among Carlos P. Naudon (the “**Executive**”) on the one side, and on the other side Ponce Bank Mutual Holding Company, a federally chartered mutual holding company (the “**MHC**”), and PDL Community Bancorp, a federally chartered savings and loan holding company (the “**Bancorp**”).

WHEREAS, the MHC owns a majority of the voting shares of the Bancorp;

WHEREAS, the Bancorp owns 100% of the voting shares of Ponce De Leon Federal Bank, a federally chartered bank (the “**Bank**”); and

WHEREAS, the Executive desires to be employed by the MHC and the Bancorp on the terms and conditions set forth herein, and the MHC and the Bancorp desire to employ the Executive on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive’s employment hereunder shall be effective as of the date first written above (the “**Effective Date**”) and shall continue until the third anniversary of the Effective Date unless terminated earlier pursuant to **Section 5** of this Agreement or extended in accordance with this Section.

Commencing on the first anniversary of the Effective Date, and continuing on each anniversary thereof, the term of this Agreement shall be extended for one year until such time as the disinterested members of the Board of Directors of the MHC and the Bancorp (in each case, a “**Board**”) or the Executive elects not to extend the term of the Agreement by giving written notice to the other party at least 90 days in advance of any such anniversary date.

The Boards of the MHC and the Bancorp will review this Agreement and Executive’s performance annually for purposes of determining whether to extend the Agreement and the rationale and results thereof shall be included in the minutes of the Board’s meeting. Each Board shall give notice to the Executive as soon as practicable after such review as to whether this Agreement is to be extended. The period during which the Executive is employed hereunder is hereinafter referred to as the “**Employment Term**.” Each Board shall conduct periodic reviews of the Executive’s performance at least annually and prior to the 90-day written notice which is required to be provided to the Executive of non-renewal and may increase, but not decrease, the Executive’s salary, benefits and other compensation hereunder.

2. Positions and Duties.

2.1 **Positions.** During the Employment Term the Executive shall serve as the President and the Chief Operating Officer of the MHC and President and Chief Executive Officer of the Bancorp. In such positions, the Executive shall have such duties, authority and responsibility as shall be determined from time to time by the Board of Directors of MHC and

the Bancorp, which duties, authority and responsibility are consistent with the Executive's position. The Executive shall be nominated to serve on the Board of Directors of the MHC and the Bancorp during the Employment Term and shall be appointed to and shall serve on the Board of Directors of the Bank, in all cases in an uncompensated capacity. In addition, if requested, the Executive will also serve as an officer or director of any other affiliate of the MHC or the Bancorp for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Boards of the MHC and the Bancorp. Notwithstanding the foregoing, the Executive will be permitted to:

- (a) with the prior written consent of the Chairmen of the Boards of the MHC and the Bancorp, act or serve as a director, trustee, committee member or advisor of any type of business, civic or charitable organization; and
- (b) purchase or own less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company;

provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the MHC and the Bancorp as provided hereunder.

3. Place of Performance. The principal place of the Executive's employment shall be the Bank's executive office currently located in Bronx, New York; provided that, the Executive will be required to travel on the MHC or the Bancorp business during the Employment Term. The MHC and the Bancorp shall provide the executive at his principal place of employment with a private office, secretarial services and other support services and facilities suitable to his positions hereunder and as necessary or appropriate in connection with the performance of his assigned duties under this Agreement.

4. Compensation.

4.1 Base Salary. The MHC and the Bancorp shall pay the Executive a base annual salary of \$605,000 in periodic instalments in accordance with the customary payroll practices of the MHC and the Bancorp, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Incentive and/or Bonus Compensation. In addition to the foregoing minimum Base Salary, the Executive shall be eligible during the term of this Agreement to receive incentive compensation determined and payable in accordance with any incentive compensation plans of the MHC and the Bancorp in effect from time to time for members of executive management generally.

4.3 Fringe Benefits and Perquisites. During the Employment Term, the Executive shall be entitled to fringe benefits and perquisites consistent with the practices of the Bancorp, and to the extent the Bancorp provides similar benefits or perquisites (or both) to similarly situated executives of the MHC and the Bancorp.

4.4 Participation in Benefit and Retirement Plans. The Executive shall participate in and receive the benefits of any plan of the MHC or the Bancorp that may be or may become applicable to executive management relating to pension or other retirement benefit plans, tax deferred compensation plans, profit-sharing, stock options, restricted stock or any other stock based plans or incentive plans, or other plans, benefits and privileges given to employees and executives of the MHC or the Bancorp, to the extent commensurate with his then duties and responsibilities as fixed by the MHC or the Bancorp. The MHC and the Bancorp reserve the right to amend or cancel any benefit plan or program at any time in their sole discretion, subject to the terms of such benefit plan or program and applicable law.

4.5 Disability Benefits. The Bank will establish a long-term disability plan that will provide the Executive with disability benefits for the remaining term of this Agreement in the event he is disabled equal to 100% of his base annual salary hereunder.

4.6 Vacation. During the Employment Term, the Executive shall be entitled to four weeks paid vacation days per calendar year (pro-rated for partial years) in accordance with the vacation policies of the MHC and the Bancorp, as in effect from time to time.

4.7 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with an expense reimbursement policy and procedures approved by the MHC and the Bancorp.

4.8 Automobile Allowance. During the Employment Term, the MHC and the Bancorp shall provide to Executive, at no cost to the Executive, the use of a MHC or Bancorp-owned or MHC or Bancorp-leased vehicle of a cost and quality reasonably acceptable to the MHC and the Bancorp but, in any event, equal to or exceeding the cost and quality of the vehicle currently used by the Executive. The MHC and the Bancorp shall pay, or reimburse the Executive for, all costs associated with operating, maintaining and insuring such automobile.

4.9 SERP. During the Employment Term, the MHC and the Bancorp shall contribute to the supplemental employee retirement program for the Executive's benefits 10% of his Base Salary in effect as of July 1st of each year.

4.10 Indemnification and Insurance.

- (a) The MHC and the Bancorp shall indemnify the Executive (and his heirs, executors and administrators) for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the MHC, the Bancorp or the Bank or any subsidiary or affiliate of the MHC, the Bancorp or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements; provided, however, that neither the MHC nor the Bancorp can indemnify the Executive for a settlement or final judgment against the Executive (or a final judgment in the Executive's favor, other than on the merits) unless a majority of the disinterested directors of the MHC or Bancorp, as applicable, determine that the Executive was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed under the circumstances was in the best interests of the MHC or its members.

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- (b) Notwithstanding the foregoing, no indemnification shall be made under this **Section 4.8** unless the MHC or the Bancorp, as applicable, gives the Federal Reserve Board at least 60 days' notice of its intention to make such indemnification. Such notice shall state the facts on which the action arose, the terms of any settlement, and any disposition of the action by a court. Such notice, a copy thereof, and a certified copy of the resolution containing the required determination by the board of directors shall be sent to the appropriate Reserve Bank. The notice period shall run from the date of such receipt. No such indemnification shall be made if the Federal Reserve Board advises the MHC or the Bancorp in writing within such notice period of its objection thereto.
- (c) The MHC and the Bancorp shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at their expense for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by the Executive in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of the Executive having been a director or officer of the MHC, the Bancorp or the Bank or any subsidiary or affiliate of the MHC, the Bancorp or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities). However, such coverage may not provide for payment of losses of any individual incurred as a consequence of his willful or criminal misconduct.
- (d) If a majority of the directors of the MHC or the Bancorp conclude that, in connection with an action, the Executive (including his heirs, executors and administrators) may ultimately may become entitled to indemnification under this **Section 4.8**, the directors may authorize payment of reasonable costs and expenses, including reasonable attorneys' fees, arising from the defense or settlement of such action. Nothing in this subsection (d) shall prevent the directors of the MHC or the Bancorp from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the MHC or the Bancorp. Before making advance payment of expenses under this subsection (d), the MHC or the Bancorp shall obtain an agreement that it will be repaid if the person on whose behalf payment is made is later determined not to be entitled to such indemnification.
- (e) Neither the MHC nor the Bancorp shall indemnify any person referred to in **Section 4.8(a)** or provide any insurance referred to in **Section 4.8(c)** other than in accordance with this **Section 4.8**; provided, however, if the MHC has a bylaw in effect relating to indemnification of its personnel, any indemnification under that bylaw shall be governed solely by that bylaw.
- (f) Any indemnification made by the MHC or the Bancorp pursuant to **Section 4.8(a)** shall be made in accordance with the requirements of 12 C.F.R. §239.40 or any successor provision, and is subject to and qualified by 12 U.S.C. §1821(k).

4.11 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the MHC and the Bancorp which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as shall be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the MHC and the Bancorp pursuant to any such law, government regulation or stock exchange listing requirement).

4.12 Required Regulatory Provisions.

- (a) The MHC or the Bancorp may terminate the Executive's employment with the MHC or the Bancorp at any time, but any such termination, other than termination for Cause, shall not prejudice the Executive's right to receive compensation or other benefits under this Agreement. The Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause. For purposes of this **Section 4.10(a)**, "Cause" means personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach by Executive of any provision of this Agreement.
- (b) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the MHC's or the Bancorp's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1); the MHC's or the Bancorp's, as applicable, obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the MHC may in its discretion: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended; and (ii) reinstate (in whole or in part) any of the obligations which were suspended.
- (c) If the Executive is removed and/or permanently prohibited from participating in the conduct of the MHC's or the Bancorp's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the MHC or the Bancorp, as applicable, under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.
- (d) If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1), all obligations of the MHC and or the Bancorp under this contract shall terminate as of the date of default, but the vested rights of the MHC and the Executive shall not be affected.

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- (e) If the MHC or the Bancorp is subject to bankruptcy proceedings under Title 11 of the United States Code, all obligations of the MHC or the Bancorp, as applicable, under this Agreement shall terminate as of the date the petition is filed, but the vested rights of the MHC, the Bancorp and the Executive shall not be affected.
 - (f) All obligations of the MHC or the Bancorp under this Agreement shall be terminated, except to the extent it is determined that continuation of the Agreement is necessary for the continued operation of the MHC or the Bancorp, as applicable by the Federal Reserve Board at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, U.S.C. §1823(c); or by the Federal Reserve Board at the time the Federal Reserve Board approves a supervisory merger to resolve problems related to the operations of the MHC or the Bancorp, or when the MHC or the Bancorp is determined by the Federal Reserve Board to be in an unsafe or unsound condition.
 - (g) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. §1828(k) and any rules and regulations promulgated thereunder, including 12 C.F.R. Part 359.

5. Termination of Employment. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights pursuant to this Agreement to any compensation or any other benefits from the MHC, the Bancorp, the Bank or any of their affiliates, as applicable.

5.1 Expiration of the Term, Termination for Cause or Without Good Reason.

- (a) The Executive's employment hereunder may be terminated by the MHC or the Bancorp upon the expiration of the Employment Term without extension or during the Employment Term by the MHC or the Bancorp for Cause or by the Executive without Good Reason. If the Executive's employment is so terminated, the Executive shall be entitled to receive:
 - (i) any accrued but unpaid Base Salary and accrued but unused vacation pay which shall be paid on the pay date immediately following the Termination Date (as defined in **Section 5.6** below) in accordance with the customary payroll procedures of the MHC or the Bancorp;
 - (ii) any earned but unpaid annual bonus by any completed calendar year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date, except to the extent payment is otherwise deferred pursuant to any applicable deferred compensation arrangement;

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- (iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the expense reimbursement policy or the MHC or the Bancorp; and
 - (iv) such employee benefits (including equity compensation), if any, as to which the Executive may be entitled under the employee benefit plans of the MHC or the Bancorp as of the Termination Date.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the “**Accrued Amounts**”.

- (b) Except as provided in **Section 4.10**, for purposes of this Agreement, “**Cause**” shall mean:
 - (i) the Executive’s conviction of any crime involving fraud, embezzlement, theft or dishonesty, or any similar issue that in the reasonable opinion of the Board of Directors of the MHC or the Bancorp would materially and negatively impact the reputation of the MHC, the Bancorp, the Bank or any of their affiliates or the Executive’s ability to perform his duties;
 - (ii) serious willful misconduct by the Executive, including a material violation of a material provision of the MHC’s or the Bancorp’s Code of Conduct or the Executive’s material personal dishonesty in connection with the business or customers of the Bank or the material breach of fiduciary duty to the MHC, the Bancorp, the Bank or their customers for personal profit;
 - (iii) any material breach by the Executive of any material provision of this Agreement;
 - (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Board of Directors of the MHC or the Bancorp, other than any failure resulting from the Executive’s incapacity due to physical or mental injury or illness;
 - (v) any willful failure to keep confidential material information of the MHC, the Bancorp, the Bank or their affiliates confidential (except as necessary to the performance of his duties in his reasonable discretion);
 - (vi) the Executive’s arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the sole opinion of two-thirds or more of the full membership of the Board of Directors of the MHC or the Bancorp (excluding the Executive) has caused a material negative impact the reputation of the MHC, the Bancorp or the Bank or prevents the Executive from substantially performing his duties hereunder; or
 - (vii) if the regulatory authorities of the MHC, the Bancorp or the Bank issue an order removing the Executive from his positions at the MHC, the Bancorp or the Bank, or if such regulatory authorities inform the Board of Directors of the MHC or the Bancorp that the continuation of the Executive in his officer positions at the MHC, the Bancorp or the Bank would constitute an unsafe and unsound banking practice.

The MHC or the Bancorp cannot terminate the Executive's employment for Cause unless it has provided written notice to the Executive of the existence of the circumstances providing grounds for termination for Cause and the Executive has had 30 days from the date on which such notice is provided to cure such circumstances, if such grounds are curable (e.g., conviction is not curable). If the Executive remedies the condition within such 30-day cure period, then no Cause shall be deemed to exist by such condition. If the Executive does not remedy the curable condition within such 30-day cure period, then the MHC or the Bancorp may deliver a notice of termination for Cause at any time following the expiration of such cure period.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the MHC and the Bancorp. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the MHC or the Bancorp or based upon the written advice of counsel for the MHC, the Bancorp or the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the MHC and the Bancorp.

In the event that the Executive is terminated for Cause based on **Section 5.1(b)(i)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

- (c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:
- (i) any reduction in the Executive's Base Salary;
 - (ii) a material reduction in the Executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
 - (iii) a relocation of the Executive's principal place of employment outside of the Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey;
 - (iv) any material breach by the MHC or the Bancorp of any material provision of this Agreement;

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- (v) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law);
 - (vi) the MHC's failure to nominate the Executive for election to the Board of the Bancorp and to use its best efforts to have him elected and re-elected, as applicable;
 - (vii) the Bancorp's failure to nominate the Executive for election to the Board of the Bank and to use its best efforts to have him elected and re-elected, as applicable;
 - (viii) a material adverse change in the reporting structure applicable to the Executive, including any requirement that the Executive report to a corporate officer or employee of the MHC or the Bancorp instead of reporting directly to the Board of Directors of the MHC or the Bancorp; or
 - (ix) the failure of the MHC or the Bancorp to extend the Agreement in accordance with **Section 1** hereof.

The Executive cannot terminate his employment by the MHC or the Bancorp for Good Reason unless he has provided written notice to the MHC or the Bancorp of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the MHC or the Bancorp has had 30 days from the date on which such notice is provided to cure such circumstances. If the MHC or the Bancorp remedies the condition within such 30-day cure period, then no Good Reason shall be deemed to exist by such condition. If the MHC or the Bancorp does not remedy the condition within such 30-day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within 60 days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within 60 days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason by such grounds.

5.2 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder with the MHC and the Bancorp may be terminated by the Executive for Good Reason or by the MHC or the Bancorp without Cause. In the event of such termination (unless **Section 5.4** below is applicable), the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a mutually agreeable release of claims in favor of the MHC and the Bancorp and their affiliates and their respective officers and directors, which release the parties shall not unreasonably decline to agree on (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**"), the Executive shall be entitled to receive the following:

- (a) A lump sum payment equal to the sum of: (i) 3.0 times (2.0 times in the case of a resignation for Good Reason pursuant to **Section 5.1(c)(ix)**) the sum of the Executive's then current Base Salary and the annual bonus and any other cash compensation earned for the calendar year prior to the calendar year in which the Termination Date occurs; and (ii) the value of any shares of restricted stock, stock

options or other awards issued to Executive under any plan adopted by the MHC, the Bancorp or the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the MHC or the Bancorp provided the Release shall have become effective prior to that date.

- (b) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the MHC or the Bancorp shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
- (i) the second year anniversary of the Termination Date;
 - (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
 - (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

Notwithstanding the foregoing, the MHC and the Bancorp are not required to pay any amounts pursuant to this **Section 5.2(b)** if the MHC or the Bancorp determines, in its sole discretion, that the reimbursement would result in a violation of the nondiscrimination rules of section 105(h)(2) of the Internal Revenue Code of 1986 (the "Code") or any statute or regulation of similar effect (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act).

- (c) A lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the MHC's or the Bancorp's similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

5.3 Death or Disability.

- (a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the MHC or the Bancorp may terminate the Executive's employment with the MHC or the Bancorp on account of the Executive's Disability.
- (b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:
- (i) the Accrued Amounts; and
 - (ii) a lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the MHC's or the Bancorp's similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

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- (c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Bank's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity, to substantially perform his essential duties and responsibilities under this Agreement for 90 days out of any 365-day period; provided however, in the event the MHC or the Bancorp temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive's employment shall not be deemed terminated by the MHC or the Bancorp and the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the MHC or the Bancorp cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the MHC or the Bancorp. If the Executive and the MHC or the Bancorp cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the MHC or the Bancorp and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Change in Control Termination.

- (a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the MHC or the Bancorp without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within 24 months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a Release which becomes effective as provided therein, for which the MHC and the Bancorp assign significant value in agreeing to this **Section 5.4**, the Executive shall be entitled to receive the following:
- (i) A lump sum payment upon the effectiveness of the Release equal to the sum of: (y) 2.99 times his highest annual compensation for services rendered to the MHC, the Bancorp, the Bank, or any of their affiliates that was includible in the Executive's gross income (partial years being annualized) for the immediately preceding three taxable years (or such shorter period as the Executive was employed); and (z) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the MHC, the Bancorp or the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the MHC or the Bancorp provided the Release shall have become effective prior to that date.

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- (ii) If the Executive timely and properly elects continuation coverage under COBRA, the MHC or the Bancorp shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
- (x) the second year anniversary of the Termination Date;
 - (y) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
 - (z) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.
- (b) For purposes of this Agreement, a “**Change in Control**” shall mean an event involving the Bancorp or the Bank that: (i) would be required to be reported in response to Item 5.01 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “**Exchange Act**”); or (ii) results in a Change in Control of the Bank or the Bancorp within the meaning of the Home Owners’ Loan Act of 1933, as amended, the Federal Deposit Insurance Act, or the Rules and Regulations promulgated by the Office of the Comptroller of the Currency or its predecessor agency (collectively, the “**OCC**”), as in effect on the date hereof (provided, that in applying the definition of change in control as set forth under the rules and regulations of the OCC, the Board of Directors of the MHC or the Bancorp shall substitute its judgment for that of the OCC); or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as:
- (i) any “**person**” (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “**beneficial owner**” (as defined in Rule

13d-3 under the Exchange Act), directly or indirectly, of voting securities of the Bank or the Bancorp representing 20% or more of the Bancorp's outstanding voting securities or right to acquire such securities except for any voting securities purchased by the MHC or the Bancorp and any voting securities purchased by any employee benefit plan of the MHC, the Bancorp or the Bank or their affiliates or the Ponce De Leon Foundation;

- (ii) individuals who constitute the Board of Directors of the MHC or the Bancorp on the date hereof (the "**Incumbent Board**") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the MHC's members or the Bancorp's stockholders was approved by a Nominating Committee solely composed of members which are Incumbent Board members, shall be, for purposes of this clause (ii), considered as though he were a member of the Incumbent Board;
- (iii) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the MHC, the Bancorp or the Bank or similar transaction occurs or is effectuated in which the MHC, the Bancorp or the Bank is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required federal regulatory approvals not including the lapse of any statutory waiting periods;
- (iv) a proxy statement has been distributed soliciting proxies from members of the MHC or the stockholders of the Bancorp, by someone other than the current management of the MHC or the Bancorp, seeking member or stockholder approval, as applicable, of a plan of reorganization, merger or consolidation of the MHC, the Bancorp or the Bank with one or more companies as a result of which the outstanding shares of the class of securities then subject to such plan or transaction are exchanged for or converted into cash or property or securities not issued by the Bank or the Bancorp or the member rights of the MHC are converted into member rights of another mutual holding company; or
- (v) a tender offer is made for 20% or more of the voting securities of the MHC, the Bancorp or the Bank then outstanding.

In no event, however, shall a Change in Control be deemed to have occurred as a result of: (X) any acquisition of securities or assets of the MHC or the Bancorp by the MHC or the Bancorp, by one or more subsidiaries of the MHC or the Bancorp, by any employee benefit plan maintained by the MHC, the Bancorp or the Bank or by the Ponce De Leon Foundation; (Y) an initial public offering of securities issued by Bancorp; or (Z) the conversion of the MHC to stock form, any reorganization used to effect such a conversion, or any offering of securities in connection with such conversion.

5.5 Notice of Termination. Any termination of the Executive's employment hereunder by the MHC or the Bancorp or by the Executive during the Employment Term (other than termination pursuant to **Section 5.3(a)** on account of the Executive's death) shall be communicated by a written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with **Section 22**. The Notice of Termination shall specify:

- (a) the termination provision of this Agreement relied upon;
- (b) to the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
- (c) the applicable Termination Date.

5.6 Termination Date. The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;
- (c) If the MHC or the Bancorp terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;
- (d) If the MHC or the Bancorp terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; or
- (e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "**separation from service**" within the meaning of Code section 409A.

5.7 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.8 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors (or a committee thereof) of the MHC or the Bancorp.

5.9 Section 280G.

- (a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "**parachute payments**" within the meaning of Code section 280G and will be subject to the excise tax imposed under Code section 4999 (the "**Excise Tax**"), then such 280G Payments shall be reduced by the minimum amount required so that no amount payable to the Executive will be subject to the Excise Tax (with the cash severance under this Agreement to be reduced first and with any further reductions that may be required to be determined by Tax Counsel (as defined below) in a manner that minimizes the impact to the Executive).
- (b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Bank (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the MHC, the Bancorp and the Executive for all purposes. For purposes of making the calculations and determinations required by this **Section 5.9**, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Code sections 280G and 4999. The MHC, the Bancorp and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this **Section 5.9**. The MHC and the Bancorp shall bear all costs the Tax Counsel may reasonably incur in connection with its services.
- (c) The MHC's and the Bancorp's obligations under this Section shall not be conditioned upon the Executive's termination of employment. By way of example, in the event of a Change in Control that does not result in Executive's termination of employment or entitlement to severance benefits under this Agreement, but which causes the accelerated vesting of any shares of restricted stock, stock options or other awards issued to the Executive giving rise to an Excise Tax, the MHC's and the Bancorp's obligations under this Section shall apply with respect to such accelerated vesting.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the MHC or the Bancorp, the Executive shall cooperate with the MHC and the Bancorp in connection with matters arising out of the Executive's service to the MHC and the Bancorp; provided that, the MHC and the Bancorp shall make reasonable efforts to minimize disruption of the Executive's other activities. The MHC and the Bancorp shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation, including reasonable attorney's fees, and compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, “**Confidential Information**” includes, but is not limited to, all information not generally available and known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the MHC or the Bancorp or any of their affiliates, or of any other person or entity that has entrusted information to the MHC or the Bancorp in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the MHC and the Bancorp as if the MHC or the Bancorp furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive’s behalf.

Without otherwise limiting the foregoing, the parties agree that this Agreement and the terms hereof (“**Contract Information**”) shall constitute Confidential Information unless and until the MHC or the Bancorp determines that it or they must or should be disclosed, in whole or in part. The MHC and the Bancorp intends to coordinate any such required or desired disclosure of Contract Information with the Executive.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as needed in the performance of the Executive’s authorized employment duties to the MHC and the Bancorp; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the MHC or the Bancorp, except as needed in the performance of the Executive’s authorized employment duties to the MHC, the Bancorp and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment with the MHC or the Bancorp) and shall continue during and after his employment by the MHC and the Bancorp until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the MHC and the Bancorp. The Executive understands and acknowledges that the intellectual services he provides to the MHC and the Bancorp are unique, special or extraordinary.

The Executive further understands and acknowledges that the MHC's and the Bancorp's ability to reserve these services for the exclusive knowledge and use of the MHC and the Bancorp is of great competitive importance and commercial value to the MHC and the Bancorp, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the MHC's and the Bancorp's legitimate business interests as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, for any reason or no reason and whether employment is terminated at the option of the Executive, the MHC or the Bancorp, the Executive agrees and covenants not to engage in Prohibited Activity within any county or borough in which the MHC, the Bancorp or the Bank or any of their affiliates maintains as of the Termination Date or has pending as of the Termination Date a filing for permission to establish a branch, loan production office, or mortgage production office (the "**Restricted Area**").

For purposes of this **Section 8.2**:

- (a) "**Prohibited Activity**" is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity becomes affiliated with any FDIC insured institution (or affiliate thereof) headquartered or with branches in the New York City metropolitan area;
- (b) "**become affiliated**" shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or

service of any kind to any person in connection with the business of the MHC, Bancorp, the Bank or any of their affiliates, and shall include without limitation being employed by any FDIC insured institution which has a branch or other place of business in the Restricted Area, but shall exclude the permitted activities under **Section 2.2**.

Nothing herein shall prohibit the Executive from purchasing or owning less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors of the MHC and the Bancorp.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the MHC, the Bancorp or the Bank or any of their affiliates for the term of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the MHC and the Bancorp, he will have access to and learn about much or all of the customers, prospective customers and referral sources of the MHC, the Bancorp or the Bank and their affiliates. The Executive understands and acknowledges that loss of these customer and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, not to directly or indirectly (a) solicit any actual or prospective customer or customer-referral source who had a business relationship with the MHC, the Bancorp, the Bank or any of their affiliates during the period of time in which the Executive was employed by the MHC and the Bancorp, it being expressly agreed that soliciting a referral from a prospective customer or customer-referral source is included within this prohibition; or (b) encourage any such customer or customer-referral source to turn down, terminate or reduce a business relationship with the MHC, the Bancorp and the Bank or any of their affiliates.

8.5 Non-disparagement. Executive agrees and covenants that he will not at any time following the termination of his employment with the MHC and the Bancorp, make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the MHC and the Bancorp or any of their affiliates or their respective businesses, or any of their employees, officers, and existing and prospective customers. Nothing contained in this **Section 8.5** shall preclude (i) the Executive from reporting information to, or participating in any investigation or proceeding conducted by, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, or any federal, state, or

local governmental agency or entity; (ii) either Executive or the MHC or the Bancorp from making truthful statements or disclosures that are required by applicable law, regulation or legal process; or (iii) either Executive or any the MHC or the Bancorp from enforcing their respective rights under this Agreement.

8.6 Non-Interference Covenant. For a period of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

- (a) solicit, employ, or otherwise interfere with any of the contracts or relationships of the MHC, the Bancorp, the Bank or any of their affiliates with any employee, officer, director or any independent contractor who is employed by or associated with the MHC, the Bancorp, the Bank or any of their affiliates as of the Termination Date; or
- (b) actively solicit or cause to be solicited, or otherwise actively interfere with, any of the contracts or relationships of the MHC, the Bancorp, the Bank or any of their affiliates with any independent contractor, customer, client or supplier of the MHC, the Bancorp or the Bank or any of their affiliates.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the MHC and the Bancorp or any of their affiliates shall be the sole property of the MHC and the Bancorp. Upon termination of his employment with the MHC and the Bancorp, the Executive shall deliver the same to the MHC and the Bancorp and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the MHC and the Bancorp all other property in his possession owned by the MHC and the Bancorp upon the termination of his employment.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by his to the MHC and the Bancorp are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the MHC's and the Bancorp's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the MHC and the Bancorp.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the MHC's and the Bancorp's rights under **Section 7** and **Section 8** of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not

be subject to undue hardship by reason of his full compliance with the terms and conditions of **Section 6** and **Section 7** of this Agreement or the MHC's and the Bancorp's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the MHC and the Bancorp shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the MHC and the Bancorp, or any other dispute arising out of this Agreement which cannot be resolved by any party upon 30 days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in New York City, New York in accordance with then prevailing Employment Dispute Resolution Rules of the American Arbitration Association by a single arbitrator. The judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This **Section 11** shall not in any way restrict the right of the MHC or the Bancorp or the Executive to obtain injunctive relief from a court of competent jurisdiction.

The MHC and the Bancorp shall pay all arbitration costs and all other costs in connection with any arbitration proceeding hereunder, including but not limited to reasonable attorneys' fees incurred by the Executive in connection with the arbitration.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed and enforced in all respects in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws, and in accordance with and subject to any applicable federal laws to which the MHC or the Bancorp may be subject. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of **Section 11** above shall be brought only in a state or federal court located in New York City, New York. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Source of Payments: No Duplication of Payments. The MHC and the Bancorp shall each be jointly and severally liable for any obligations imposed by this Agreement upon the MHC or the Bancorp; provided, however, that in no event shall the Executive receive duplicate payments or benefits from the MHC and the Bancorp. Notwithstanding any provision herein to the contrary, to the extent that payments and benefits under this Agreement, are paid to or received by under the Employment Agreement dated _____, 2017, between Executive and the Bank, such compensation payments and benefits paid by the Bank will be subtracted from any amount due simultaneously to Executive under similar provisions of this Agreement.

14. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the MHC and the Bancorp pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, by such subject matter. The parties mutually agree that this Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

15. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Chairman of the Board of Directors of the MHC and the Bancorp. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

16. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

17. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

18. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

19. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the time period for compliance with such obligations shall be tolled for the full period in which the Executive is in violation of such obligations, with the tolled period to be added to the period of time remaining following the first date on which the Executive ceases to be in violation of such obligation.

20. Code Section 409A.

20.1 This Agreement is intended to comply with Code section 409A or an exemption thereunder and shall be construed and administered in accordance with Code section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Code section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Code section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Code section 409A to the maximum extent possible.

20.2 For purposes of Code section 409A, each installment payment provided under this Agreement shall be treated as a separate payment.

20.3 For purposes of this Agreement, any reference to “**termination**” of Executive’s employment or similar term shall be interpreted consistent with the meaning of the term “**separation from service**” in Code section 409A(a)(2)(A)(i) and no portion of any benefits payable to Executive on account of any such “**termination**” shall be paid prior to the date such Employee incurs a separation from service under Code section 409A(a)(2)(A)(i).

20.4 Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year.

20.5 All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code section 409A to the extent that such reimbursements or in-kind benefits are subject to Code section 409A. All expenses or reimbursements paid pursuant to this Agreement that are taxable income to the Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which the Employee incurs such expense or pays the related tax. With regard to any provision in the Agreement for the right to reimbursement or in-kind benefits, such right shall not be subject to liquidation or exchange for another benefit, the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Code section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect, and such payments shall be made on or before the last day of the Employee’s taxable year following the taxable year in which the expense was incurred.

20.6 Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute “**nonqualified deferred compensation**” within the meaning of Code section 409A and the Executive is determined to be a “**specified employee**” as defined in Code section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to

occur following the six-month anniversary of the Termination Date (the “**Specified Employee Payment Date**”), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Code section 409A. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

20.7 Notwithstanding the foregoing, the MHC and the Bancorp make no representations that the payments and benefits provided under this Agreement comply with Code section 409A and in no event shall the MHC or the Bancorp be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Code section 409A.

21. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The MHC or the Bancorp may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the MHC or the Bancorp. This Agreement shall inure to the benefit of the MHC and Bancorp and permitted successors and assigns.

22. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the MHC:

Chair of the Board of Directors
Ponce Bank Mutual Holding Company
2244 Westchester Ave.
Bronx, NY 10462

If to the Bancorp:

Chair of the Board of Directors
PDL Community Bancorp
2244 Westchester Ave.
Bronx, NY 10462

If to the Executive:

Carlos P. Naudon
c/o Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Carlos P. Naudon
(last home address on file with the Bank)

23. Representations of the Executive. The Executive represents and warrants to the MHC and the Bancorp that:

23.1 The Executive's acceptance of employment with the MHC and the Bancorp and the performance his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

23.2 The Executive's acceptance of employment with the MHC and the Bancorp and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

24. Withholding. The MHC and the Bancorp shall have the right to withhold from any amount payable hereunder any federal, state and local taxes in order for the MHC and the Bancorp to satisfy any withholding tax obligation it may have under any applicable law or regulation.

25. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

26. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PONCE BANK MUTUAL HOLDING COMPANY

By _____
Name: _____
Title: Chairman of the Board of Directors

PDL COMMUNITY BANCORP

By _____
Name: _____
Title: Chairman of the Board of Directors

EXECUTIVE

Signature: _____
Name: Carlos P. Naudon

Employment Agreement

This Employment Agreement (the “**Agreement**”) is made and entered into as of March 23, 2017, by and between Steven A. Tsavaris (the “**Executive**”) and Ponce De Leon Federal Bank, a federally chartered bank (the “**Bank**”).

WHEREAS, the Executive currently serves as Chairman and Chief Executive Officer of the Bank;

WHEREAS, it is contemplated that the Bank will become a wholly-owned subsidiary of PDL Community Bancorp, a federally chartered savings and loan holding company (the “**Bancorp**”);

WHEREAS, it is contemplated that the Bancorp will become majority owned by Ponce Bank Mutual Holding Company, a federally chartered mutual holding company (the “**MHC**”); and

WHEREAS, the Executive desires to continue to be employed by the Bank on the terms and conditions set forth herein, and the Bank desires to continue to employ the Executive on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive’s employment hereunder shall be effective as of the date first written above (the “**Effective Date**”) and shall continue until the third anniversary of the Effective Date unless terminated earlier pursuant to **Section 5** of this Agreement or extended in accordance with this Section.

Commencing on the first anniversary of the Effective Date, and continuing on each anniversary thereof, the term of this Agreement shall be extended for one year until such time as the disinterested members of the Board of Directors of the Bank (the “**Board**”) or the Executive elects not to extend the term of this Agreement by giving written notice to the other party at least 90 days in advance of any such anniversary date.

The Board will review this Agreement and Executive’s performance annually for purposes of determining whether to extend this Agreement and the rationale and results thereof shall be included in the minutes of the Board’s meeting. The Board shall give notice to the Executive as soon as practicable after such review as to whether this Agreement is to be extended. The period during which the Executive is employed by a Bank hereunder is hereinafter referred to as the “**Employment Term**.” The Board shall conduct periodic reviews of the Executive’s performance at least annually and prior to the 90-day written notice which is required to be provided to the Executive of non-renewal and may increase, but not decrease, the Executive’s salary, benefits and other compensation hereunder.

2. **Positions and Duties.**

2.1 **Positions.** Commencing with the Effective Date, the Executive shall serve as the Chief Executive Officer of the Bank and shall report to the Board. No later than one year after

the effective date of the completion of the MHC reorganization, or January 1, 2019, if earlier, the Executive shall resign as Chief Executive Officer of the Bank and continue as Executive Chairman, a salaried officer of the Bank. In such positions, the Executive shall have such duties, authority and responsibility as shall be determined from time to time by the Board (and the Chief Executive Officer of the Bank during the portion of the Employment Term during which the Executive is the Executive Chairman of the Bank), which duties, authority and responsibility are consistent with the Executive's position. In addition, if requested, the Executive will also serve as an officer or director of any subsidiary of the Bank for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board. Notwithstanding the foregoing, the Executive will be permitted to:

- (a) with the prior written consent of the Bank's Chairman of the Compensation Committee, act or serve as a director, trustee, committee member or advisor of any type of business, civic or charitable organization; and
- (b) purchase or own less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company;

provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the Bank as provided hereunder.

3. Place of Performance. The principal place of the Executive's employment shall be the Bank's executive office currently located in Bronx, New York; provided that, the Executive will be required to travel on Bank business during the Employment Term. The Bank shall provide the Executive at his principal place of employment with a private office, secretarial services and other support services and facilities suitable to his positions with the Bank as necessary or appropriate in connection with the performance of his assigned duties under this Agreement.

4. Compensation.

4.1 Base Salary. The Bank shall pay the Executive a base annual salary of \$660,000 in periodic instalments in accordance with the Bank's customary payroll practices, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Incentive and/or Bonus Compensation. In addition to the foregoing minimum Base Salary, the Executive shall be eligible during the term of this Agreement to receive incentive compensation determined and payable in accordance with any incentive compensation plans of the Bank in effect from time to time for members of executive management generally.

4.3 Fringe Benefits and Perquisites. During the Employment Term, the Executive shall be entitled to fringe benefits and perquisites consistent with the practices of the Bank, and to the extent the Bank provides similar benefits or perquisites (or both) to similarly situated executives of the Bank.

4.4 Participation in Benefit and Retirement Plans. The Executive shall participate in and receive the benefits of any plan of the Bank or any of its affiliates that may be or may become applicable to executive management relating to pension or other retirement benefit plans, tax deferred compensation plans, profit-sharing, stock options, restricted stock or any other stock based plans or incentive plans, or other plans, benefits and privileges given to employees and executives of the Bank, to the extent commensurate with his then duties and responsibilities as fixed by the Bank. The Bank reserves the right to amend or cancel any benefit plan or program at any time in its sole discretion, subject to the terms of such benefit plan or program and applicable law.

4.5 Disability Benefits. The Bank will establish a long-term disability plan that will provide the Executive with disability benefits for the remaining term of this Agreement in the event he is disabled equal to 100% of his base annual salary hereunder.

4.6 Vacation. During the Employment Term, the Executive shall be entitled to four weeks paid vacation days per calendar year (pro-rated for partial years) in accordance with the Bank's vacation policies, as in effect from time to time.

4.7 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with an expense reimbursement policy and procedures approved by the Bank.

4.8 Automobile Allowance. During the Employment Term, the Bank shall provide to Executive, at no cost to the Executive, the use of a Bank-owned or Bank-leased vehicle of a cost and quality reasonably acceptable to the Bank but, in any event, equal to or exceeding the cost and quality of the vehicle currently used by the Executive. The Bank shall pay, or reimburse the Executive for, all costs associated with operating, maintaining and insuring such automobile.

4.9 Indemnification and Insurance.

- (a) The Bank shall indemnify the Executive (and his heirs, executors and administrators) for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any subsidiary or affiliate of the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements; provided, however, that the Bank cannot indemnify the Executive for a settlement or final judgment against the Executive (or a final judgement in the Executive's favor, other than on the merits) unless a majority of the disinterested

directors of the Bank determine that the Executive was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed under the circumstances was in the best interests of the Bank.

- (b) Notwithstanding the foregoing, no indemnification shall be made under this **Section 4.9** unless the Bank gives the Office of the Comptroller of the Currency (“**OCC**”) at least 60 days’ notice of its intention to make such indemnification. Such notice shall state the facts on which the action arose, the terms of any settlement, and any disposition of the action by a court. Such notice, a copy thereof, and a certified copy of the resolution containing the required determination by the board of directors shall be sent to the Assistant Deputy Comptroller for the Northeastern District Officer of the OCC. The notice period shall run from the date of such receipt. No such indemnification shall be made if the OCC advises the Bank in writing within such notice period of its objection thereto.
- (c) The Bank shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors’ and officers’ liability insurance policy at its expense for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any subsidiary or affiliate of the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities). However, such coverage may not provide for payment of losses of any individual incurred as a consequence of his willful or criminal misconduct.
- (d) If a majority of the directors of the Bank conclude that, in connection with an action, the Executive (including his heirs, executors and administrators) may ultimately may become entitled to indemnification under this **Section 4.9**, the directors may authorize payment of reasonable costs and expenses, including reasonable attorneys’ fees, arising from the defense or settlement of such action. Nothing in this subsection (d) shall prevent the directors of the Bank from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the Bank. Before making advance payment of expenses under this subsection (d), the Bank shall obtain an agreement that it will be repaid if the person on whose behalf payment is made is later determined not to be entitled to such indemnification.
- (e) The Bank shall not indemnify any person referred to in **Section 4.9(a)** or provide any insurance referred to in **Section 4.9(c)** other than in accordance with this **Section 4.9**; provided, however, if the Bank has a bylaw in effect relating to indemnification of its personnel, any indemnification under that bylaw shall be governed solely by that bylaw.
- (f) Any indemnification made by the Bank pursuant to this **Section 4.9** shall be made in accordance with the requirements of 12 C.F.R. §145.121 or any successor provision, and is subject to and qualified by 12 U.S.C. §1821(k).

4.10 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Bank which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as shall be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Bank pursuant to any such law, government regulation or stock exchange listing requirement).

4.11 Required Regulatory Provisions.

- (a) The Bank may terminate the Executive's employment with the Bank at any time, but any termination by the Bank, other than termination for Cause, shall not prejudice the Executive's right to receive compensation or other benefits under this Agreement. The Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause. For purposes of this **Section 4.11(a)**, "Cause" means personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach by Executive of any provision of this Agreement.
- (b) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1); the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended; and (ii) reinstate (in whole or in part) any of the obligations which were suspended.
- (c) If the Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.
- (d) If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1), all obligations of the Bank under this contract shall terminate as of the date of default, but this paragraph (d) shall not affect any vested rights of the Executive or the Bank.

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- (e) All obligations of the Bank under this Agreement shall be terminated, except to the extent it is determined that continuation of this Agreement is necessary for the continued operation of the Bank by the Comptroller of the Currency (the “**Comptroller**”) or his or her designee, at the time the Federal Deposit Insurance Corporation (the “**FDIC**”) enters into an agreement to provide assistance to or on behalf of the Bank under (the authority contained in Section 13(c) of the Federal Deposit Insurance Act, 12 U.S.C. §1823(c); or by the Comptroller (or his or her designee) at the time the Comptroller (or his or her designee) approves a supervisory merger to resolve problems related to the operations of the Bank, or when the Bank is determined by the Comptroller to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.
 - (f) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. §1828(k) and any rules and regulations promulgated thereunder, including 12 C.F.R. Part 359.

5. Termination of Employment. Upon termination of the Executive’s employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights pursuant to this Agreement to any compensation or any other benefits from the Bank.

5.1 Expiration of the Term, Termination for Cause or Without Good Reason.

- (a) The Executive’s employment hereunder may be terminated by the Bank upon the expiration of the Employment Term without extension or during the Employment Term by the Bank for Cause or by the Executive without Good Reason. If the Executive’s employment is so terminated, the Executive shall be entitled to receive:
 - (i) any accrued but unpaid Base Salary and accrued but unused vacation pay which shall be paid on the pay date immediately following the Termination Date (as defined in **Section 5.6** below) in accordance with the Bank’s customary payroll procedures;
 - (ii) any earned but unpaid annual bonus with respect to any completed calendar year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date, except to the extent payment is otherwise deferred pursuant to any applicable deferred compensation arrangement;
 - (iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Bank’s expense reimbursement policy; and
 - (iv) such employee benefits (including equity compensation), if any, as to which the Executive may be entitled under the Bank’s employee benefit plans as of the Termination Date.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the “**Accrued Amounts**”.

- (b) Except as provided in **Section 4.11**, for purposes of this Agreement, “**Cause**” shall mean:
- (i) the Executive’s conviction of any crime involving fraud, embezzlement, theft or dishonesty, or any similar issue that in the reasonable opinion of the Board would materially and negatively impact the reputation of the Bank or any of its subsidiaries or the Executive’s ability to perform his duties;
 - (ii) serious willful misconduct by the Executive, including a material violation of a material provision of the Bank’s Code of Conduct or the Executive’s material personal dishonesty in connection with the business or customers of the Bank or the material breach of fiduciary duty to the Bank or its customers for personal profit;
 - (iii) any material breach by the Executive of any material provision of this Agreement;
 - (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Board or the Chief Executive Officer of the Bank, other than any failure resulting from the Executive’s incapacity due to physical or mental injury or illness;
 - (v) any willful failure to keep confidential material information of the Bank or its subsidiaries confidential (except as necessary to the performance of his duties in his reasonable discretion);
 - (vi) the Executive’s arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the sole opinion of two-thirds or more of the full membership of the Board (excluding the Executive) has caused a material negative impact the reputation of the Bank or prevents the Executive from substantially performing his duties hereunder; or
 - (vii) if the regulatory authorities of the Bank issue an order removing the Executive from his positions at the Bank, or if such regulatory authorities inform the Board that the continuation of the Executive in his officer positions at the Bank would constitute an unsafe and unsound banking practice.

The Bank cannot terminate the Executive’s employment for Cause unless it has provided written notice to the Executive of the existence of the circumstances providing grounds for termination for Cause and the Executive has had 30 days from the date on which such notice is provided to cure such circumstances, if such grounds are curable (e.g., conviction is not curable). If the Executive remedies the condition within such 30-day cure period, then no Cause shall be deemed to exist with respect to such condition. If the Executive does not remedy the curable condition within such 30-day cure period, then the Bank may deliver a notice of termination for Cause at any time following the expiration of such cure period.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Bank. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board or based upon the written advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Bank.

In the event that the Executive is terminated for Cause based on **Section 5.1(b)(i)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

- (c) For purposes of this Agreement, “**Good Reason**” shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive’s written consent:
- (i) any reduction in the Executive’s Base Salary;
 - (ii) a material reduction in the Executive’s target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
 - (iii) a relocation of the Executive’s principal place of employment outside of the Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey;
 - (iv) any material breach by the Bank of any material provision of this Agreement;
 - (v) a material, adverse change in the Executive’s title, authority, duties or responsibilities (other than a change contemplated by **Section 2.1** or a temporary change while the Executive is physically or mentally incapacitated or as required by applicable law);
 - (vi) the Executive is not reappointed as a member of the Board;
 - (vii) a material adverse change in the reporting structure applicable to the Executive, (other than a change contemplated by **Section 2.1**) including any requirement that the Executive report to a corporate officer of the Bank other than the Chief Executive Officer of the Bank; or
 - (viii) the failure of the Bank to extend this Agreement in accordance with **Section 1** hereof.

The Executive cannot terminate his employment with respect to the Bank for Good Reason unless he has provided written notice to the Bank of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the Bank has had 30 days from the date on which such notice is provided to cure such circumstances. If the Bank remedies the condition within such 30-day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Bank does not remedy the condition within such 30-day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within 60 days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within 60 days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason with respect to such grounds.

5.2 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder with the Bank may be terminated by the Executive for Good Reason or by the Bank without Cause. In the event of such termination (unless **Section 5.4** below is applicable), the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a mutually agreeable release of claims in favor of the Bank and its subsidiaries and their respective officers and directors, which release the parties shall not unreasonably decline or agree on (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**"), the Executive shall be entitled to receive the following:

- (a) A lump sum payment equal to the sum of: (i) 3.0 times (2.0 times in the case of a resignation for Good Reason pursuant to **Section 5.1(c)(viii)**) the sum of the Executive's then current Base Salary and the annual bonus and any other cash compensation earned for the calendar year prior to the calendar year in which the Termination Date occurs; and (ii) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the Bank or any affiliate of the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the Bank provided the Release shall have become effective prior to that date.
- (b) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("**COBRA**"), the Bank shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
 - (i) the second year anniversary of the Termination Date;
 - (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
 - (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

Notwithstanding the foregoing, the Bank is not required to pay any amounts pursuant to this **Section 5.2(b)** if the Bank determines, in its sole discretion, that the reimbursement would result in a violation of the nondiscrimination rules of section 105(h)(2) of the Internal Revenue Code of 1986 (the “**Code**”) or any statute or regulation of similar effect (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act).

- (c) A lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the Bank’s similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

5.3 Death or Disability.

- (a) The Executive’s employment hereunder shall terminate automatically upon the Executive’s death during the Employment Term, and the Bank may terminate the Executive’s employment with the Bank on account of the Executive’s Disability.
- (b) If the Executive’s employment is terminated during the Employment Term on account of the Executive’s death or Disability, the Executive (or the Executive’s estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:
 - (i) the Accrued Amounts; and
 - (ii) a lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the Bank’s similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.
- (c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Bank’s long-term disability plan, or if there is no such plan, the Executive’s inability, due to physical or mental incapacity, to substantially perform his essential duties and responsibilities under this Agreement for 90 days out of any 365-day period; provided however, in the event the Bank temporarily replaces the Executive, or transfers the Executive’s duties or responsibilities to another individual on account of the Executive’s inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive’s employment shall not be deemed terminated by the Bank and the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the Bank cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Bank. If the Executive and the Bank cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Bank and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Change in Control Termination.

- (a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Bank without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within 24 months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a Release which becomes effective as provided therein, for which the Bank assigns significant value in agreeing to this **Section 5.4**, the Executive shall be entitled to receive the following:
- (i) A lump sum payment upon the effectiveness of the Release equal to the sum of: (y) 2.99 times his highest annual compensation for services rendered that was includible in the Executive's gross income (partial years being annualized) for the immediately preceding three taxable years (or such shorter period as the Executive was employed); and (z) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the Bank or any affiliate of the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the Bank provided the Release shall have become effective prior to that date.
 - (ii) If the Executive timely and properly elects continuation coverage under COBRA, the Bank shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
 - (x) the second year anniversary of the Termination Date;

(y) the date the Executive is no longer eligible to receive COBRA continuation coverage; and

(z) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

- (b) For purposes of this Agreement, a “**Change in Control**” shall mean an event involving the Bank that: (i) would be required to be reported in response to Item 5.01 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “**Exchange Act**”); or (ii) results in a Change in Control of the Bank within the meaning of the Home Owners’ Loan Act of 1933, as amended, the Federal Deposit Insurance Act, or the Rules and Regulations promulgated by the OCC, as in effect on the date hereof (provided, that in applying the definition of change in control as set forth under the rules and regulations of the OCC, the Board shall substitute its judgment for that of the OCC); or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as:
- (i) any “**person**” (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “**beneficial owner**” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of voting securities of the Bank representing 20% or more of the Bank’s outstanding voting securities or right to acquire such securities except for any voting securities purchased by any employee benefit plan of the Bank or by the Ponce De Leon Foundation;
 - (ii) individuals who constitute the Board on the date hereof (the “**Incumbent Board**”) cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the Bank’s stockholders was approved by a Nominating Committee solely composed of members which are Incumbent Board members, shall be, for purposes of this clause (B), considered as though he were a member of the Incumbent Board;
 - (iii) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Bank or similar transaction occurs or is effectuated in which the Bank is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required federal regulatory approvals not including the lapse of any statutory waiting periods;
 - (iv) a proxy statement has been distributed soliciting proxies from stockholders of the Bank, by someone other than the current management of the Bank, seeking stockholder approval of a plan of reorganization, merger or consolidation of the Bank with one or more companies as a result of which the outstanding shares of the class of securities then subject to such plan or transaction are exchanged for or converted into cash or property or securities not issued by the Bank; or
 - (v) a tender offer is made for 20% or more of the voting securities of the Bank then outstanding.

In no event, however, shall a Change in Control be deemed to have occurred as a result of: (X) any acquisition of securities or assets of the MHC or the Bancorp by the MHC or the Bancorp, by one or more subsidiaries of the MHC or the Bancorp, by any employee benefit plan maintained by the MHC, the Bancorp or the Bank or by the Ponce De Leon Foundation; (Y) an initial public offering of securities issued by Bancorp; or (Z) the conversion of the MHC to stock form, any reorganization used to effect such a conversion, or any offering of securities in connection with such conversion.

5.5 **Notice of Termination.** Any termination of the Executive's employment hereunder by the Bank or by the Executive during the Employment Term (other than termination pursuant to **Section 5.3(a)** on account of the Executive's death) shall be communicated by a written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with **Section 21**. The Notice of Termination shall specify:

- (a) the termination provision of this Agreement relied upon;
- (b) to the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
- (c) the applicable Termination Date.

5.6 **Termination Date.** The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;
- (c) If the Bank terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;
- (d) If the Bank terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; or
- (e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a “**separation from service**” within the meaning of Code section 409A.

5.7 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.8 Resignation of All Other Positions. Upon termination of the Executive’s employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors (or a committee thereof) of the Bank or any of its subsidiaries.

5.9 Code Section 280G.

- (a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive’s termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the “**280G Payments**”) constitute “**parachute payments**” within the meaning of Code section 280G and will be subject to the excise tax imposed under Code section 4999 (the “**Excise Tax**”), then such 280G Payments shall be reduced by the minimum amount required so that no amount payable to the Executive will be subject to the Excise Tax (with the cash severance under this Agreement to be reduced first and with any further reductions that may be required to be determined by Tax Counsel (as defined below) in a manner that minimizes the impact to the Executive).
- (b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Bank (the “**Tax Counsel**”) whose determinations shall be conclusive and binding on the Bank and the Executive for all purposes. For purposes of making the calculations and determinations required by this **Section 5.9**, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Code sections 280G and 4999. The Bank and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this **Section 5.9**. The Bank shall bear all costs the Tax Counsel may reasonably incur in connection with its services.
- (c) The Bank’s obligations under this Section shall not be conditioned upon the Executive’s termination of employment. By way of example, in the event of a Change in Control that does not result in Executive’s termination of employment or entitlement to severance benefits under this Agreement, but which causes the

accelerated vesting of any shares of restricted stock, stock options or other awards issued to the Executive giving rise to an Excise Tax, the Bank's obligations under this Section shall apply with respect to such accelerated vesting.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Bank, the Executive shall cooperate with the Bank in connection with matters arising out of the Executive's service to the Bank; provided that, the Bank shall make reasonable efforts to minimize disruption of the Executive's other activities. The Bank shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation, including reasonable attorney's fees, and compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally available and known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Bank or any of its subsidiaries, or of any other person or entity that has entrusted information to the Bank in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the Bank as if the Bank furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

Without otherwise limiting the foregoing, the parties agree that this Agreement and the terms hereof ("**Contract Information**") shall constitute Confidential Information unless and until the Bank determines that it or they must or should be disclosed, in whole or in part. The Bank intends to coordinate any such required or desired disclosure of Contract Information with the Executive.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as needed in the performance of the Executive's authorized employment duties to the Bank; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or

other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Bank, except as needed in the performance of the Executive's authorized employment duties to the Bank and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment with the Bank) and shall continue during and after his employment by the Bank until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Bank. The Executive understands and acknowledges that the intellectual services he provides to the Bank are unique, special or extraordinary.

The Executive further understands and acknowledges that the Bank's ability to reserve these services for the exclusive knowledge and use of the Bank is of great competitive importance and commercial value to the Bank, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the Bank's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of one year, beginning on the last day of the Executive's employment with the Bank, for any reason or no reason and whether employment is terminated at the option of the Executive or the Bank, the Executive agrees and covenants not to engage in Prohibited Activity within any county or borough in which the Bank or any of its subsidiaries maintains as of the Termination Date or has pending as of the Termination Date a filing for permission to establish a branch, loan production office, or mortgage production office (the "**Restricted Area**").

For purposes of this **Section 8.2**:

- (a) "**Prohibited Activity**" is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity becomes affiliated with any FDIC insured institution (or affiliate thereof) headquartered or with branches in the New York City metropolitan area;
- (b) "**become affiliated**" shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the Bank or any of its subsidiaries, and shall include without limitation being employed by any FDIC insured institution which has a branch or other place of business in the Restricted Area. but shall exclude the permitted activities under **Section 2.2**.

Nothing herein shall prohibit the Executive from purchasing or owning less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Bank or any of its subsidiaries for the term of one year, beginning on the last day of the Executive's employment with the Bank.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Bank, he will have access to and learn about much or all of the customers, prospective customers and referral sources of the Bank and its subsidiaries. The Executive understands and acknowledges that loss of these customer and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one year, beginning on the last day of the Executive's employment with the Bank, not to directly or indirectly (a) solicit any actual or prospective customer or customer-referral source who had a business relationship with the Bank or any of its subsidiaries during the period of time in which the Executive was employed by the Bank, it being expressly agreed that soliciting a referral from a prospective customer or customer-referral source is included within this prohibition; or (b) encourage any such customer or customer-referral source to turn down, terminate or reduce a business relationship with the Bank or any of its subsidiaries.

8.5 Non-disparagement. Executive agrees and covenants that he will not at any time following the termination of his employment with the Bank, make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Bank or any of its subsidiaries or their respective businesses, or any of their employees, officers, and existing and prospective customers. Nothing contained in this **Section 8.5** shall preclude (i) the Executive from reporting information to, or participating in any investigation or proceeding conducted by, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, or any federal, state, or local governmental agency or entity; (ii)

either Executive or the Bank from making truthful statements or disclosures that are required by applicable law, regulation or legal process; or (iii) either Executive or any Bank from enforcing their respective rights under this Agreement.

8.6 Non-Interference Covenant. For a period of one year, beginning on the last day of the Executive's employment with the Bank, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

- (a) solicit, employ, or otherwise interfere with any of the contracts or relationships of the Bank or any of its subsidiaries with any employee, officer, director or any independent contractor who is employed by or associated with the Bank or any of its subsidiaries as of the Termination Date; or
- (b) actively solicit or cause to be solicited, or otherwise actively interfere with, any of the contracts or relationships of the Bank or any of its subsidiaries with any independent contractor, customer, client or supplier of the Bank or any of its subsidiaries.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the Bank or any of its subsidiaries shall be the sole property of the Bank. Upon termination of his employment with the Bank, the Executive shall deliver the same to the Bank and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the Bank all other property in his possession owned by the Bank upon the termination of his employment.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by his to the Bank are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Bank's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Bank.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the Bank's rights under **Section 7** and **Section 8** of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of **Section 6** and **Section 7** of this Agreement or the Bank's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the Bank shall be

entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the Bank, or any other dispute arising out of this Agreement which cannot be resolved by any party upon 30 days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in New York City, New York in accordance with the then prevailing Employment Dispute Resolution Rules of the American Arbitration Association by a single arbitrator. The judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This **Section 11** shall not in any way restrict the right of the Bank or the Executive to obtain injunctive relief from a court of competent jurisdiction.

The Bank shall pay all arbitration costs and all other costs in connection with any arbitration proceeding hereunder, including but not limited to reasonable attorneys' fees incurred by the Executive in connection with the arbitration.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed and enforced in all respects in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws, and in accordance with and subject to any applicable federal laws to which the Bank may be subject as a federally chartered FDIC insured institution. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of **Section 11** above shall be brought only in a state or federal court located in New York City, New York. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Bank pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that this Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of this Agreement.

14. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Chairman of the Board. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

15. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

16. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

17. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

18. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the time period for compliance with such obligations shall be tolled for the full period in which the Executive is in violation of such obligations, with the tolled period to be added to the period of time remaining following the first date on which the Executive ceases to be in violation of such obligation.

19. Code Section 409A.

19.1 This Agreement is intended to comply with Code section 409A or an exemption thereunder and shall be construed and administered in accordance with Code section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Code section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Code section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Code section 409A to the maximum extent possible.

19.2 For purposes of Code section 409A, each installment payment provided under this Agreement shall be treated as a separate payment.

19.3 For purposes of this Agreement, any reference to “**termination**” of Executive’s employment or similar term shall be interpreted consistent with the meaning of the term “**separation from service**” in Code section 409A(a)(2)(A)(i) and no portion of any benefits payable to Executive on account of any such “**termination**” shall be paid prior to the date such Employee incurs a separation from service under Code section 409A(a)(2)(A)(i).

19.4 Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year.

19.5 All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code section 409A to the extent that such reimbursements or in-kind benefits are subject to Code section 409A. All expenses or reimbursements paid pursuant to this Agreement that are taxable income to the Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which the Employee incurs such expense or pays the related tax. With regard to any provision in this Agreement for the right to reimbursement or in-kind benefits, such right shall not be subject to liquidation or exchange for another benefit, the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Code section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect, and such payments shall be made on or before the last day of the Employee’s taxable year following the taxable year in which the expense was incurred.

19.6 Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute “**nonqualified deferred compensation**” within the meaning of Code section 409A and the Executive is determined to be a “**specified employee**” as defined in Code section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the “**Specified Employee Payment Date**”), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Code section 409A. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

19.7 Notwithstanding the foregoing, the Bank makes no representations that the payments and benefits provided under this Agreement comply with Code section 409A and in no event shall any of the Bank be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Code section 409A.

20. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Bank may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Bank. This Agreement shall inure to the benefit of the Bank and permitted successors and assigns.

21. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Bank or its successor:

Chair of the Board of Directors
Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Chief Executive Officer
Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

If to the Executive:

Steven A. Tsavaris
c/o Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Steven A. Tsavaris
(last home address on file with the Bank)

22. Representations of the Executive. The Executive represents and warrants to the Bank that:

22.1 The Executive's acceptance of employment with the Bank and the performance his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

22.2 The Executive's acceptance of employment with the Bank and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

23. Withholding. The Bank shall have the right to withhold from any amount payable hereunder any federal, state and local taxes in order for the Bank to satisfy any withholding tax obligation it may have under any applicable law or regulation.

24. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

25. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

Employment Agreement

This Employment Agreement (the “**Agreement**”) is made and entered into as of _____, 2017, by and among Steven A. Tsavaris (the “**Executive**”) on the one side, and on the other side Ponce Bank Mutual Holding Company, a federally chartered mutual holding company (the “**MHC**”), and PDL Community Bancorp, a federally chartered savings and loan holding company (the “**Bancorp**”).

WHEREAS, the MHC owns a majority of the voting shares of the Bancorp;

WHEREAS, the Bancorp owns 100% of the voting shares of Ponce De Leon Federal Bank, a federally chartered bank (the “**Bank**”); and

WHEREAS, the Executive desires to be employed by the MHC and the Bancorp on the terms and conditions set forth herein, and the MHC and the Bancorp desire to employ the Executive on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive’s employment hereunder shall be effective as of the date first written above (the “**Effective Date**”) and shall continue until the third anniversary of the Effective Date unless terminated earlier pursuant to **Section 5** of this Agreement or extended in accordance with this Section.

Commencing on the first anniversary of the Effective Date, and continuing on each anniversary thereof, the term of this Agreement shall be extended for one year until such time as the disinterested members of the Board of Directors of the MHC and the Bancorp (in each case, a “**Board**”) or the Executive elects not to extend the term of the Agreement by giving written notice to the other party at least 90 days in advance of any such anniversary date.

The Boards of the MHC and the Bancorp will review this Agreement and Executive’s performance annually for purposes of determining whether to extend the Agreement and the rationale and results thereof shall be included in the minutes of the Board’s meeting. Each Board shall give notice to the Executive as soon as practicable after such review as to whether this Agreement is to be extended. The period during which the Executive is employed hereunder is hereinafter referred to as the “**Employment Term**.” Each Board shall conduct periodic reviews of the Executive’s performance at least annually and prior to the 90-day written notice which is required to be provided to the Executive of non-renewal and may increase, but not decrease, the Executive’s salary, benefits and other compensation hereunder.

2. Positions and Duties.

2.1 **Positions.** Commencing with the Effective Date, the Executive shall serve as the Chairman of the Board of Directors and the Chief Executive Officer of the MHC and Executive Chairman of the Board of Directors of the Bancorp a salaried officer. In such positions, the Executive shall have such duties, authority and responsibility as shall be determined from time to time by the Board of Directors of MHC and the Bancorp. The Executive shall be nominated to serve on the Board of Directors of the MHC and the Bancorp during the Employment Term and

shall be appointed to and shall serve on the Board of Directors of the Bank, in all cases in an uncompensated capacity. In addition, if requested, the Executive will also serve as an officer or director of any other affiliate of the MHC or the Bancorp for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Boards of the MHC and the Bancorp. Notwithstanding the foregoing, the Executive will be permitted to:

- (a) with the prior written consent of the Chairmen of the Boards of the MHC and the Bancorp, act or serve as a director, trustee, committee member or advisor of any type of business, civic or charitable organization; and
- (b) purchase or own less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company;

provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the MHC and the Bancorp as provided hereunder.

3. Place of Performance. The principal place of the Executive's employment shall be the Bank's executive office currently located in Bronx, New York; provided that, the Executive will be required to travel on the MHC or the Bancorp business during the Employment Term. The MHC and the Bancorp shall provide the executive at his principal place of employment with a private office, secretarial services and other support services and facilities suitable to his positions hereunder and as necessary or appropriate in connection with the performance of his assigned duties under this Agreement.

4. Compensation.

4.1 Base Salary. The MHC and the Bancorp shall pay the Executive a base annual salary of \$660,000 in periodic instalments in accordance with the customary payroll practices of the MHC and the Bancorp, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Incentive and/or Bonus Compensation. In addition to the foregoing minimum Base Salary, the Executive shall be eligible during the term of this Agreement to receive incentive compensation determined and payable in accordance with any incentive compensation plans of the MHC and the Bancorp in effect from time to time for members of executive management generally.

4.3 Fringe Benefits and Perquisites. During the Employment Term, the Executive shall be entitled to fringe benefits and perquisites consistent with the practices of the Bancorp, and to the extent the Bancorp provides similar benefits or perquisites (or both) to similarly situated executives of the MHC and the Bancorp.

4.4 Participation in Benefit and Retirement Plans. The Executive shall participate in and receive the benefits of any plan of the MHC or the Bancorp that may be or may become applicable to executive management relating to pension or other retirement benefit plans, tax deferred compensation plans, profit-sharing, stock options, restricted stock or any other stock based plans or incentive plans, or other plans, benefits and privileges given to employees and executives of the MHC or the Bancorp, to the extent commensurate with his then duties and responsibilities as fixed by the MHC or the Bancorp. The MHC and the Bancorp reserve the right to amend or cancel any benefit plan or program at any time in their sole discretion, subject to the terms of such benefit plan or program and applicable law.

4.5 Disability Benefits. The Bank will establish a long-term disability plan that will provide the Executive with disability benefits for the remaining term of this Agreement in the event he is disabled equal to 100% of his base annual salary hereunder.

4.6 Vacation. During the Employment Term, the Executive shall be entitled to four weeks paid vacation days per calendar year (pro-rated for partial years) in accordance with the vacation policies of the MHC and the Bancorp, as in effect from time to time.

4.7 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with an expense reimbursement policy and procedures approved by the MHC and the Bancorp.

4.8 Indemnification and Insurance.

- (a) The MHC and the Bancorp shall indemnify the Executive (and his heirs, executors and administrators) for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the MHC, the Bancorp or the Bank or any subsidiary or affiliate of the MHC, the Bancorp or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements; provided, however, that neither the MHC nor the Bancorp can indemnify the Executive for a settlement or final judgment against the Executive (or a final judgement in the Executive's favor, other than on the merits) unless a majority of the disinterested directors of the MHC or Bancorp, as applicable, determine that the Executive was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed under the circumstances was in the best interests of the MHC or its members.

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- (b) Notwithstanding the foregoing, no indemnification shall be made under this **Section 4.8** unless the MHC or the Bancorp, as applicable, gives the Federal Reserve Board at least 60 days' notice of its intention to make such indemnification. Such notice shall state the facts on which the action arose, the terms of any settlement, and any disposition of the action by a court. Such notice, a copy thereof, and a certified copy of the resolution containing the required determination by the board of directors shall be sent to the appropriate Reserve Bank. The notice period shall run from the date of such receipt. No such indemnification shall be made if the Federal Reserve Board advises the MHC or the Bancorp in writing within such notice period of its objection thereto.
- (c) The MHC and the Bancorp shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at their expense for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by the Executive in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of the Executive having been a director or officer of the MHC, the Bancorp or the Bank or any subsidiary or affiliate of the MHC, the Bancorp or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities). However, such coverage may not provide for payment of losses of any individual incurred as a consequence of his willful or criminal misconduct.
- (d) If a majority of the directors of the MHC or the Bancorp conclude that, in connection with an action, the Executive (including his heirs, executors and administrators) may ultimately may become entitled to indemnification under this **Section 4.8**, the directors may authorize payment of reasonable costs and expenses, including reasonable attorneys' fees, arising from the defense or settlement of such action. Nothing in this subsection (d) shall prevent the directors of the MHC or the Bancorp from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the MHC or the Bancorp. Before making advance payment of expenses under this subsection (d), the MHC or the Bancorp shall obtain an agreement that it will be repaid if the person on whose behalf payment is made is later determined not to be entitled to such indemnification.
- (e) Neither the MHC nor the Bancorp shall indemnify any person referred to in **Section 4.8(a)** or provide any insurance referred to in **Section 4.8(c)** other than in accordance with this **Section 4.8**; provided, however, if the MHC has a bylaw in effect relating to indemnification of its personnel, any indemnification under that bylaw shall be governed solely by that bylaw.
- (f) Any indemnification made by the MHC or the Bancorp pursuant to **Section 4.8(a)** shall be made in accordance with the requirements of 12 C.F.R. §239.40 or any successor provision, and is subject to and qualified by 12 U.S.C. §1821(k).

4.9 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the MHC and the Bancorp which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as shall be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the MHC and the Bancorp pursuant to any such law, government regulation or stock exchange listing requirement).

4.10 Required Regulatory Provisions.

- (a) The MHC or the Bancorp may terminate the Executive's employment with the MHC or the Bancorp at any time, but any such termination, other than termination for Cause, shall not prejudice the Executive's right to receive compensation or other benefits under this Agreement. The Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause. For purposes of this **Section 4.10(a)**, "Cause" means personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach by Executive of any provision of this Agreement.
- (b) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the MHC's or the Bancorp's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1); the MHC's or the Bancorp's, as applicable, obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the MHC may in its discretion: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended; and (ii) reinstate (in whole or in part) any of the obligations which were suspended.
- (c) If the Executive is removed and/or permanently prohibited from participating in the conduct of the MHC's or the Bancorp's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the MHC or the Bancorp, as applicable, under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.
- (d) If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1), all obligations of the MHC and or the Bancorp under this contract shall terminate as of the date of default, but the vested rights of the MHC and the Executive shall not be affected.

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- (e) If the MHC or the Bancorp is subject to bankruptcy proceedings under Title 11 of the United States Code, all obligations of the MHC or the Bancorp, as applicable, under this Agreement shall terminate as of the date the petition is filed, but the vested rights of the MHC, the Bancorp and the Executive shall not be affected.
 - (f) All obligations of the MHC or the Bancorp under this Agreement shall be terminated, except to the extent it is determined that continuation of the Agreement is necessary for the continued operation of the MHC or the Bancorp, as applicable by the Federal Reserve Board at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, U.S.C. §1823(c); or by the Federal Reserve Board at the time the Federal Reserve Board approves a supervisory merger to resolve problems related to the operations of the MHC or the Bancorp, or when the MHC or the Bancorp is determined by the Federal Reserve Board to be in an unsafe or unsound condition.
 - (g) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. §1828(k) and any rules and regulations promulgated thereunder, including 12 C.F.R. Part 359.

5. Termination of Employment. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights pursuant to this Agreement to any compensation or any other benefits from the MHC, the Bancorp, the Bank or any of their affiliates, as applicable.

5.1 Expiration of the Term, Termination for Cause or Without Good Reason.

- (a) The Executive's employment hereunder may be terminated by the MHC or the Bancorp upon the expiration of the Employment Term without extension or during the Employment Term by the MHC or the Bancorp for Cause or by the Executive without Good Reason. If the Executive's employment is so terminated, the Executive shall be entitled to receive:
 - (i) any accrued but unpaid Base Salary and accrued but unused vacation pay which shall be paid on the pay date immediately following the Termination Date (as defined in **Section 5.6** below) in accordance with the customary payroll procedures of the MHC or the Bancorp;
 - (ii) any earned but unpaid annual bonus by any completed calendar year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date, except to the extent payment is otherwise deferred pursuant to any applicable deferred compensation arrangement;

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- (iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the expense reimbursement policy or the MHC or the Bancorp; and
 - (iv) such employee benefits (including equity compensation), if any, as to which the Executive may be entitled under the employee benefit plans of the MHC or the Bancorp as of the Termination Date.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the “**Accrued Amounts**”.

- (b) Except as provided in **Section 4.10**, for purposes of this Agreement, “**Cause**” shall mean:
 - (i) the Executive’s conviction of any crime involving fraud, embezzlement, theft or dishonesty, or any similar issue that in the reasonable opinion of the Board of Directors of the MHC or the Bancorp would materially and negatively impact the reputation of the MHC, the Bancorp, the Bank or any of their affiliates or the Executive’s ability to perform his duties;
 - (ii) serious willful misconduct by the Executive, including a material violation of a material provision of the MHC’s or the Bancorp’s Code of Conduct or the Executive’s material personal dishonesty in connection with the business or customers of the Bank or the material breach of fiduciary duty to the MHC, the Bancorp, the Bank or their customers for personal profit;
 - (iii) any material breach by the Executive of any material provision of this Agreement;
 - (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Board of Directors of the MHC or the Bancorp, other than any failure resulting from the Executive’s incapacity due to physical or mental injury or illness;
 - (v) any willful failure to keep confidential material information of the MHC, the Bancorp, the Bank or their affiliates confidential (except as necessary to the performance of his duties in his reasonable discretion);
 - (vi) the Executive’s arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the sole opinion of two-thirds or more of the full membership of the Board of Directors of the MHC or the Bancorp (excluding the Executive) has caused a material negative impact the reputation of the MHC, the Bancorp or the Bank or prevents the Executive from substantially performing his duties hereunder; or
 - (vii) if the regulatory authorities of the MHC, the Bancorp or the Bank issue an order removing the Executive from his positions at the MHC, the Bancorp or the Bank, or if such regulatory authorities inform the Board of Directors of the MHC or the Bancorp that the continuation of the Executive in his officer positions at the MHC, the Bancorp or the Bank would constitute an unsafe and unsound banking practice.

The MHC or the Bancorp cannot terminate the Executive's employment for Cause unless it has provided written notice to the Executive of the existence of the circumstances providing grounds for termination for Cause and the Executive has had 30 days from the date on which such notice is provided to cure such circumstances, if such grounds are curable (e.g., conviction is not curable). If the Executive remedies the condition within such 30-day cure period, then no Cause shall be deemed to exist by such condition. If the Executive does not remedy the curable condition within such 30-day cure period, then the MHC or the Bancorp may deliver a notice of termination for Cause at any time following the expiration of such cure period.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the MHC and the Bancorp. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the MHC or the Bancorp or based upon the written advice of counsel for the MHC, the Bancorp or the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the MHC and the Bancorp.

In the event that the Executive is terminated for Cause based on **Section 5.1(b)(i)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

- (c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:
- (i) any reduction in the Executive's Base Salary;
 - (ii) a material reduction in the Executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
 - (iii) a relocation of the Executive's principal place of employment outside of the Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey;
 - (iv) any material breach by the MHC or the Bancorp of any material provision of this Agreement;
 - (v) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than a change contemplated by **Section 2.1** or a temporary change while the Executive is physically or mentally incapacitated or as required by applicable law);

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- (vi) the MHC's failure to nominate the Executive for election to the Board of the Bancorp and to use its best efforts to have him elected and re-elected, as applicable;
 - (vii) the Bancorp's failure to nominate the Executive for election to the Board of the Bank and to use its best efforts to have him elected and re-elected, as applicable;
 - (viii) a material adverse change in the reporting structure applicable to the Executive, including any requirement that the Executive report to a corporate officer or employee of the MHC or the Bancorp instead of reporting directly to the Board of Directors of the MHC or the Bancorp; or
 - (ix) the failure of the MHC or the Bancorp to extend the Agreement in accordance with **Section 1** hereof.

The Executive cannot terminate his employment by the MHC or the Bancorp for Good Reason unless he has provided written notice to the MHC or the Bancorp of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the MHC or the Bancorp has had 30 days from the date on which such notice is provided to cure such circumstances. If the MHC or the Bancorp remedies the condition within such 30-day cure period, then no Good Reason shall be deemed to exist by such condition. If the MHC or the Bancorp does not remedy the condition within such 30-day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within 60 days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within 60 days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason by such grounds.

5.2 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder with the MHC and the Bancorp may be terminated by the Executive for Good Reason or by the MHC or the Bancorp without Cause. In the event of such termination (unless **Section 5.4** below is applicable), the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a mutually agreeable release of claims in favor of the MHC and the Bancorp and their affiliates and their respective officers and directors, which release the parties shall not unreasonably decline to agree on (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**"), the Executive shall be entitled to receive the following:

- (a) A lump sum payment equal to the sum of: (i) 3.0 times (2.0 times in the case of a resignation for Good Reason pursuant to **Section 5.1(c)(ix)**) the sum of the Executive's then current Base Salary and the annual bonus and any other cash compensation earned for the calendar year prior to the calendar year in which the Termination Date occurs; and (ii) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the MHC,

the Bancorp or the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the MHC or the Bancorp provided the Release shall have become effective prior to that date.

- (b) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the MHC or the Bancorp shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
- (i) the second year anniversary of the Termination Date;
 - (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
 - (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

Notwithstanding the foregoing, the MHC and the Bancorp are not required to pay any amounts pursuant to this **Section 5.2(b)** if the MHC or the Bancorp determines, in its sole discretion, that the reimbursement would result in a violation of the nondiscrimination rules of section 105(h)(2) of the Internal Revenue Code of 1986 (the "Code") or any statute or regulation of similar effect (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act).

- (c) A lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the MHC's or the Bancorp's similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

5.3 Death or Disability.

- (a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the MHC or the Bancorp may terminate the Executive's employment with the MHC or the Bancorp on account of the Executive's Disability.
- (b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:
- (i) the Accrued Amounts; and
 - (ii) a lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the MHC's or the Bancorp's similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

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- (c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Bank's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity, to substantially perform his essential duties and responsibilities under this Agreement for 90 days out of any 365-day period; provided however, in the event the MHC or the Bancorp temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive's employment shall not be deemed terminated by the MHC or the Bancorp and the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the MHC or the Bancorp cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the MHC or the Bancorp. If the Executive and the MHC or the Bancorp cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the MHC or the Bancorp and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Change in Control Termination.

- (a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the MHC or the Bancorp without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within 24 months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a Release which becomes effective as provided therein, for which the MHC and the Bancorp assign significant value in agreeing to this **Section 5.4**, the Executive shall be entitled to receive the following:
- (i) A lump sum payment upon the effectiveness of the Release equal to the sum of: (y) 2.99 times his highest annual compensation for services

rendered to the MHC, the Bancorp, the Bank, or any of their affiliates that was includible in the Executive's gross income (partial years being annualized) for the immediately preceding three taxable years (or such shorter period as the Executive was employed); and (z) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the MHC, the Bancorp or the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the MHC or the Bancorp provided the Release shall have become effective prior to that date.

(ii) If the Executive timely and properly elects continuation coverage under COBRA, the MHC or the Bancorp shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:

(x) the second year anniversary of the Termination Date;

(y) the date the Executive is no longer eligible to receive COBRA continuation coverage; and

(z) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

(b) For purposes of this Agreement, a "**Change in Control**" shall mean an event involving the Bancorp or the Bank that: (i) would be required to be reported in response to Item 5.01 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "**Exchange Act**"); or (ii) results in a Change in Control of the Bank or the Bancorp within the meaning of the Home Owners' Loan Act of 1933, as amended, the Federal Deposit Insurance Act, or the Rules and Regulations promulgated by the Office of the Comptroller of the Currency or its predecessor agency (collectively, the "**OCC**"), as in effect on the date hereof (provided, that in applying the definition of change in control as set forth under the rules and regulations of the OCC, the Board of Directors of the MHC or the Bancorp shall substitute its judgment for that of the OCC); or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as:

(i) any "**person**" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "**beneficial owner**" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of voting securities of the Bank or the Bancorp representing 20% or more of the Bancorp's

outstanding voting securities or right to acquire such securities except for any voting securities purchased by the MHC or the Bancorp and any voting securities purchased by any employee benefit plan of the MHC, the Bancorp or the Bank or their affiliates or the Ponce De Leon Foundation;

- (ii) individuals who constitute the Board of Directors of the MHC or the Bancorp on the date hereof (the “**Incumbent Board**”) cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the MHC’s members or the Bancorp’s stockholders was approved by a Nominating Committee solely composed of members which are Incumbent Board members, shall be, for purposes of this clause (ii), considered as though he were a member of the Incumbent Board;
- (iii) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the MHC, the Bancorp or the Bank or similar transaction occurs or is effectuated in which the MHC, the Bancorp or the Bank is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required federal regulatory approvals not including the lapse of any statutory waiting periods;
- (iv) a proxy statement has been distributed soliciting proxies from members of the MHC or the stockholders of the Bancorp, by someone other than the current management of the MHC or the Bancorp, seeking member or stockholder approval, as applicable, of a plan of reorganization, merger or consolidation of the MHC, the Bancorp or the Bank with one or more companies as a result of which the outstanding shares of the class of securities then subject to such plan or transaction are exchanged for or converted into cash or property or securities not issued by the Bank or the Bancorp or the member rights of the MHC are converted into member rights of another mutual holding company; or
- (v) a tender offer is made for 20% or more of the voting securities of the MHC, the Bancorp or the Bank then outstanding.

In no event, however, shall a Change in Control be deemed to have occurred as a result of: (X) any acquisition of securities or assets of the MHC or the Bancorp by the MHC or the Bancorp, by one or more subsidiaries of the MHC or the Bancorp, by any employee benefit plan maintained by the MHC, the Bancorp or the Bank or by the Ponce De Leon Foundation; (Y) an initial public offering of securities issued by Bancorp; or (Z) the conversion of the MHC to stock form, any reorganization used to effect such a conversion, or any offering of securities in connection with such conversion.

5.5 Notice of Termination. Any termination of the Executive's employment hereunder by the MHC or the Bancorp or by the Executive during the Employment Term (other than termination pursuant to **Section 5.3(a)** on account of the Executive's death) shall be communicated by a written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with **Section 22**. The Notice of Termination shall specify:

- (a) the termination provision of this Agreement relied upon;
- (b) to the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
- (c) the applicable Termination Date.

5.6 Termination Date. The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;
- (c) If the MHC or the Bancorp terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;
- (d) If the MHC or the Bancorp terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; or
- (e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "**separation from service**" within the meaning of Code section 409A.

5.7 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.8 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors (or a committee thereof) of the MHC or the Bancorp.

5.9 Section 280G.

- (a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "**parachute payments**" within the meaning of Code section 280G and will be subject to the excise tax imposed under Code section 4999 (the "**Excise Tax**"), then such 280G Payments shall be reduced by the minimum amount required so that no amount payable to the Executive will be subject to the Excise Tax (with the cash severance under this Agreement to be reduced first and with any further reductions that may be required to be determined by Tax Counsel (as defined below) in a manner that minimizes the impact to the Executive).
- (b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Bank (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the MHC, the Bancorp and the Executive for all purposes. For purposes of making the calculations and determinations required by this **Section 5.9**, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Code sections 280G and 4999. The MHC, the Bancorp and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this **Section 5.9**. The MHC and the Bancorp shall bear all costs the Tax Counsel may reasonably incur in connection with its services.
- (c) The MHC's and the Bancorp's obligations under this Section shall not be conditioned upon the Executive's termination of employment. By way of example, in the event of a Change in Control that does not result in Executive's termination of employment or entitlement to severance benefits under this Agreement, but which causes the accelerated vesting of any shares of restricted stock, stock options or other awards issued to the Executive giving rise to an Excise Tax, the MHC's and the Bancorp's obligations under this Section shall apply with respect to such accelerated vesting.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the MHC or the Bancorp, the Executive shall cooperate with the MHC and the Bancorp in connection with matters arising out of the Executive's service to the MHC and the Bancorp; provided that, the MHC and the Bancorp shall make reasonable efforts to minimize disruption of the Executive's other activities. The MHC and the Bancorp shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation, including reasonable attorney's fees, and compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, “**Confidential Information**” includes, but is not limited to, all information not generally available and known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the MHC or the Bancorp or any of their affiliates, or of any other person or entity that has entrusted information to the MHC or the Bancorp in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the MHC and the Bancorp as if the MHC or the Bancorp furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive’s behalf.

Without otherwise limiting the foregoing, the parties agree that this Agreement and the terms hereof (“**Contract Information**”) shall constitute Confidential Information unless and until the MHC or the Bancorp determines that it or they must or should be disclosed, in whole or in part. The MHC and the Bancorp intends to coordinate any such required or desired disclosure of Contract Information with the Executive.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as needed in the performance of the Executive’s authorized employment duties to the MHC and the Bancorp; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the MHC or the Bancorp, except as needed in the performance of the Executive’s authorized employment duties to the MHC, the Bancorp and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment with the MHC or the Bancorp) and shall continue during and after his employment by the MHC and the Bancorp until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the MHC and the Bancorp. The Executive understands and acknowledges that the intellectual services he provides to the MHC and the Bancorp are unique, special or extraordinary.

The Executive further understands and acknowledges that the MHC's and the Bancorp's ability to reserve these services for the exclusive knowledge and use of the MHC and the Bancorp is of great competitive importance and commercial value to the MHC and the Bancorp, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the MHC's and the Bancorp's legitimate business interests as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, for any reason or no reason and whether employment is terminated at the option of the Executive, the MHC or the Bancorp, the Executive agrees and covenants not to engage in Prohibited Activity within any county or borough in which the MHC, the Bancorp or the Bank or any of their affiliates maintains as of the Termination Date or has pending as of the Termination Date a filing for permission to establish a branch, loan production office, or mortgage production office (the "**Restricted Area**").

For purposes of this **Section 8.2**:

- (a) "**Prohibited Activity**" is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity becomes affiliated with any FDIC insured institution (or affiliate thereof) headquartered or with branches in the New York City metropolitan area;
- (b) "**become affiliated**" shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or

service of any kind to any person in connection with the business of the MHC, Bancorp, the Bank or any of their affiliates, and shall include without limitation being employed by any FDIC insured institution which has a branch or other place of business in the Restricted Area, but shall exclude the permitted activities under **Section 2.2**.

Nothing herein shall prohibit the Executive from purchasing or owning less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors of the MHC and the Bancorp.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the MHC, the Bancorp or the Bank or any of their affiliates for the term of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the MHC and the Bancorp, he will have access to and learn about much or all of the customers, prospective customers and referral sources of the MHC, the Bancorp or the Bank and their affiliates. The Executive understands and acknowledges that loss of these customer and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, not to directly or indirectly (a) solicit any actual or prospective customer or customer-referral source who had a business relationship with the MHC, the Bancorp, the Bank or any of their affiliates during the period of time in which the Executive was employed by the MHC and the Bancorp, it being expressly agreed that soliciting a referral from a prospective customer or customer-referral source is included within this prohibition; or (b) encourage any such customer or customer-referral source to turn down, terminate or reduce a business relationship with the MHC, the Bancorp and the Bank or any of their affiliates.

8.5 Non-disparagement. Executive agrees and covenants that he will not at any time following the termination of his employment with the MHC and the Bancorp, make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the MHC and the Bancorp or any of their affiliates or their respective businesses, or any of their employees, officers, and existing and prospective customers. Nothing contained in this **Section 8.5** shall preclude (i) the Executive from reporting information to, or participating in any investigation or proceeding conducted by, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, or any federal, state, or

local governmental agency or entity; (ii) either Executive or the MHC or the Bancorp from making truthful statements or disclosures that are required by applicable law, regulation or legal process; or (iii) either Executive or any the MHC or the Bancorp from enforcing their respective rights under this Agreement.

8.6 Non-Interference Covenant. For a period of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

- (a) solicit, employ, or otherwise interfere with any of the contracts or relationships of the MHC, the Bancorp, the Bank or any of their affiliates with any employee, officer, director or any independent contractor who is employed by or associated with the MHC, the Bancorp, the Bank or any of their affiliates as of the Termination Date; or
- (b) actively solicit or cause to be solicited, or otherwise actively interfere with, any of the contracts or relationships of the MHC, the Bancorp, the Bank or any of their affiliates with any independent contractor, customer, client or supplier of the MHC, the Bancorp or the Bank or any of their affiliates.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the MHC and the Bancorp or any of their affiliates shall be the sole property of the MHC and the Bancorp. Upon termination of his employment with the MHC and the Bancorp, the Executive shall deliver the same to the MHC and the Bancorp and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the MHC and the Bancorp all other property in his possession owned by the MHC and the Bancorp upon the termination of his employment.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by his to the MHC and the Bancorp are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the MHC's and the Bancorp's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the MHC and the Bancorp.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the MHC's and the Bancorp's rights under **Section 7** and **Section 8** of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not

be subject to undue hardship by reason of his full compliance with the terms and conditions of **Section 6** and **Section 7** of this Agreement or the MHC's and the Bancorp's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the MHC and the Bancorp shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the MHC and the Bancorp, or any other dispute arising out of this Agreement which cannot be resolved by any party upon 30 days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in New York City, New York in accordance with then prevailing Employment Dispute Resolution Rules of the American Arbitration Association by a single arbitrator. The judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This **Section 11** shall not in any way restrict the right of the MHC or the Bancorp or the Executive to obtain injunctive relief from a court of competent jurisdiction.

The MHC and the Bancorp shall pay all arbitration costs and all other costs in connection with any arbitration proceeding hereunder, including but not limited to reasonable attorneys' fees incurred by the Executive in connection with the arbitration.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed and enforced in all respects in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws, and in accordance with and subject to any applicable federal laws to which the MHC or the Bancorp may be subject. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of **Section 11** above shall be brought only in a state or federal court located in New York City, New York. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Source of Payments: No Duplication of Payments. The MHC and the Bancorp shall each be jointly and severally liable for any obligations imposed by this Agreement upon the MHC or the Bancorp; provided, however, that in no event shall the Executive receive duplicate payments or benefits from the MHC and the Bancorp. Notwithstanding any provision herein to the contrary, to the extent that payments and benefits under this Agreement, are paid to or received by under the Employment Agreement dated _____, 2017, between Executive and the Bank, such compensation payments and benefits paid by the Bank will be subtracted from any amount due simultaneously to Executive under similar provisions of this Agreement.

14. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the MHC and the Bancorp pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, by such subject matter. The parties mutually agree that this Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

15. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Chairman of the Board of Directors of the MHC and the Bancorp. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

16. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

17. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

18. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

19. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the time period for compliance with such obligations shall be tolled for the full period in which the Executive is in violation of such obligations, with the tolled period to be added to the period of time remaining following the first date on which the Executive ceases to be in violation of such obligation.

20. Code Section 409A.

20.1 This Agreement is intended to comply with Code section 409A or an exemption thereunder and shall be construed and administered in accordance with Code section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Code section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Code section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Code section 409A to the maximum extent possible.

20.2 For purposes of Code section 409A, each installment payment provided under this Agreement shall be treated as a separate payment.

20.3 For purposes of this Agreement, any reference to “termination” of Executive’s employment or similar term shall be interpreted consistent with the meaning of the term “separation from service” in Code section 409A(a)(2)(A)(i) and no portion of any benefits payable to Executive on account of any such “termination” shall be paid prior to the date such Employee incurs a separation from service under Code section 409A(a)(2)(A)(i).

20.4 Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year.

20.5 All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code section 409A to the extent that such reimbursements or in-kind benefits are subject to Code section 409A. All expenses or reimbursements paid pursuant to this Agreement that are taxable income to the Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which the Employee incurs such expense or pays the related tax. With regard to any provision in the Agreement for the right to reimbursement or in-kind benefits, such right shall not be subject to liquidation or exchange for another benefit, the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Code section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect, and such payments shall be made on or before the last day of the Employee’s taxable year following the taxable year in which the expense was incurred.

20.6 Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute “nonqualified deferred compensation” within the meaning of Code section 409A and the Executive is determined to be a “specified employee” as defined in Code section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to

occur following the six-month anniversary of the Termination Date (the “**Specified Employee Payment Date**”), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Code section 409A. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

20.7 Notwithstanding the foregoing, the MHC and the Bancorp make no representations that the payments and benefits provided under this Agreement comply with Code section 409A and in no event shall the MHC or the Bancorp be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Code section 409A.

21. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The MHC or the Bancorp may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the MHC or the Bancorp. This Agreement shall inure to the benefit of the MHC and Bancorp and permitted successors and assigns.

22. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the MHC:

President and COO
Ponce Bank Mutual Holding Company
2244 Westchester Ave.
Bronx, NY 10462

If to the Bancorp:

President and CEO
PDL Community Bancorp
2244 Westchester Ave.
Bronx, NY 10462

If to the Executive:

Steven A. Tsavaris
c/o Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Steven A. Tsavaris
(last home address on file with the Bank)

23. Representations of the Executive. The Executive represents and warrants to the MHC and the Bancorp that:

23.1 The Executive's acceptance of employment with the MHC and the Bancorp and the performance his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

23.2 The Executive's acceptance of employment with the MHC and the Bancorp and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

24. Withholding. The MHC and the Bancorp shall have the right to withhold from any amount payable hereunder any federal, state and local taxes in order for the MHC and the Bancorp to satisfy any withholding tax obligation it may have under any applicable law or regulation.

25. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

26. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PONCE BANK MUTUAL HOLDING COMPANY

By _____
Name: _____
Title: Chairman of the Board of Directors

PDL COMMUNITY BANCORP

By _____
Name: _____
Title: Chairman of the Board of Directors

EXECUTIVE

Signature: _____
Name: Steven A. Tsavaris

Employment Agreement

This Employment Agreement (the “**Agreement**”) is made and entered into as of March 31, 2017, by and between Frank Perez (the “**Executive**”) and Ponce De Leon Federal Bank, a federally chartered bank (the “**Bank**”).

WHEREAS, the Executive currently serves as Chief Financial Officer of the Bank;

WHEREAS, it is contemplated that the Bank will become a wholly-owned subsidiary of PDL Community Bancorp, a federally chartered savings and loan holding company (the “**Bancorp**”);

WHEREAS, it is contemplated that the Bancorp will become majority owned by Ponce Bank Mutual Holding Company, a federally chartered mutual holding company (the “**MHC**”); and

WHEREAS, the Executive desires to continue to be employed by the Bank on the terms and conditions set forth herein, and the Bank desires to continue to employ the Executive on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive’s employment hereunder shall be effective as of the date first written above (the “**Effective Date**”) and shall continue until the first anniversary of the Effective Date unless terminated earlier pursuant to **Section 5** of this Agreement or extended in accordance with this Section.

Commencing on the first anniversary of the Effective Date, and continuing on each anniversary thereof, the term of this Agreement shall be extended for one year until such time as the President of the Bank or the Executive elects not to extend the term of this Agreement by giving written notice to the other party at least 90 days in advance of any such anniversary date.

The President of the Bank in consultation with the Board of Directors of the Bank (the “**Board**”) will review this Agreement and Executive’s performance annually for purposes of determining whether to extend this Agreement and the rationale and results thereof shall be included in the minutes of the Board’s meeting. The President shall give notice to the Executive as soon as practicable after such review as to whether this Agreement is to be extended. The period during which the Executive is employed by a Bank hereunder is hereinafter referred to as the “**Employment Term**.” The President in consultation with the Board shall conduct periodic reviews of the Executive’s performance at least annually and prior to the 90-day written notice which is required to be provided to the Executive of non-renewal and may increase, but not decrease, the Executive’s salary, benefits and other compensation hereunder.

2. **Positions and Duties.**

2.1 **Positions.** During the Employment Term the Executive shall serve as the Chief Financial Officer of the Bank and shall report to the President of the Bank. In such position, the Executive shall have such duties, authority and responsibility as shall be determined from time to

time by the Board and the President of the Bank, which duties, authority and responsibility are consistent with the Executive's position. In addition, if requested, the Executive will also serve as an officer or director of any subsidiary of the Bank for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Board. Notwithstanding the foregoing, the Executive will be permitted to:

- (a) with the prior written consent of the Bank's President, act or serve as a director, trustee, committee member or advisor of any type of business, civic or charitable organization; and
- (b) purchase or own less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company;

provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the Bank as provided hereunder.

3. Place of Performance. The principal place of the Executive's employment shall be the Bank's executive office currently located in Bronx, New York; provided that, the Executive will be required to travel on Bank business during the Employment Term. The Bank shall provide the Executive at his principal place of employment with a private office, secretarial services and other support services and facilities suitable to his positions with the Bank as necessary or appropriate in connection with the performance of his assigned duties under this Agreement.

4. Compensation.

4.1 Base Salary. The Bank shall pay the Executive a base annual salary of \$190,000 in periodic instalments in accordance with the Bank's customary payroll practices, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Incentive and/or Bonus Compensation. In addition to the foregoing minimum Base Salary, the Executive shall be eligible during the term of this Agreement to receive incentive compensation determined and payable in accordance with any incentive compensation plans of the Bank in effect from time to time for members of executive management generally.

4.3 Fringe Benefits and Perquisites. During the Employment Term, the Executive shall be entitled to fringe benefits and perquisites consistent with the practices of the Bank, and to the extent the Bank provides similar benefits or perquisites (or both) to similarly situated executives of the Bank.

4.4 Participation in Benefit and Retirement Plans. The Executive shall participate in and receive the benefits of any plan of the Bank or any of its affiliates that may be or may become applicable to executive management relating to pension or other retirement benefit plans, tax deferred compensation plans, profit-sharing, stock options, restricted stock or any other stock based plans or incentive plans, or other plans, benefits and privileges given to employees and executives of the Bank, to the extent commensurate with his then duties and responsibilities as fixed by the Bank. The Bank reserves the right to amend or cancel any benefit plan or program at any time in its sole discretion, subject to the terms of such benefit plan or program and applicable law.

4.5 Disability Benefits. The Bank will establish a long-term disability plan that will provide the Executive with disability benefits for the remaining term of this Agreement in the event he is disabled equal to 100% of his base annual salary hereunder.

4.6 Vacation. During the Employment Term, the Executive shall be entitled to four weeks paid vacation days per calendar year (pro-rated for partial years) in accordance with the Bank's vacation policies, as in effect from time to time.

4.7 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with an expense reimbursement policy and procedures approved by the Bank.

4.8 Indemnification and Insurance.

- (a) The Bank shall indemnify the Executive (and his heirs, executors and administrators) for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any subsidiary or affiliate of the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements; provided, however, that the Bank cannot indemnify the Executive for a settlement or final judgment against the Executive (or a final judgement in the Executive's favor, other than on the merits) unless a majority of the disinterested directors of the Bank determine that the Executive was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed under the circumstances was in the best interests of the Bank.
- (b) Notwithstanding the foregoing, no indemnification shall be made under this **Section 4.8** unless the Bank gives the Office of the Comptroller of the Currency (the "OCC") at least 60 days' notice of its intention to make such indemnification. Such notice shall state the facts on which the action arose, the terms of any settlement, and any disposition of the action by a court. Such notice, a copy thereof, and a certified copy of the resolution containing the required

determination by the board of directors shall be sent to the Assistant Deputy Comptroller for the Northeastern District Officer of the OCC. The notice period shall run from the date of such receipt. No such indemnification shall be made if the OCC advises the Bank in writing within such notice period of its objection thereto.

- (c) The Bank shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at its expense for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank or any subsidiary or affiliate of the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities). However, such coverage may not provide for payment of losses of any individual incurred as a consequence of his willful or criminal misconduct.
- (d) If a majority of the directors of the Bank conclude that, in connection with an action, the Executive (including his heirs, executors and administrators) may ultimately become entitled to indemnification under this **Section 4.8**, the directors may authorize payment of reasonable costs and expenses, including reasonable attorneys' fees, arising from the defense or settlement of such action. Nothing in this subsection (d) shall prevent the directors of the Bank from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the Bank. Before making advance payment of expenses under this subsection (d), the Bank shall obtain an agreement that it will be repaid if the person on whose behalf payment is made is later determined not to be entitled to such indemnification.
- (e) The Bank shall not indemnify any person referred to in **Section 4.8(a)** or provide any insurance referred to in **Section 4.8(c)** other than in accordance with this **Section 4.8**; provided, however, if the Bank has a bylaw in effect relating to indemnification of its personnel, any indemnification under that bylaw shall be governed solely by that bylaw.
- (f) Any indemnification made by the Bank pursuant to this **Section 4.8** shall be made in accordance with the requirements of 12 C.F.R. §145.121 or any successor provision, and is subject to and qualified by 12 U.S.C. §1821(k).

4.9 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Bank which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as shall be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the Bank pursuant to any such law, government regulation or stock exchange listing requirement).

4.10 Required Regulatory Provisions.

- (a) The Bank may terminate the Executive's employment with the Bank at any time, but any termination by the Bank, other than termination for Cause, shall not prejudice the Executive's right to receive compensation or other benefits under this Agreement. The Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause. For purposes of this **Section 4.10(a)**, "Cause" means personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach by Executive of any provision of this Agreement.
- (b) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1); the Bank's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended; and (ii) reinstate (in whole or in part) any of the obligations which were suspended.
- (c) If the Executive is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the Bank under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.
- (d) If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1), all obligations of the Bank under this contract shall terminate as of the date of default, but this paragraph (d) shall not affect any vested rights of the Executive or the Bank.
- (e) All obligations of the Bank under this Agreement shall be terminated, except to the extent it is determined that continuation of this Agreement is necessary for the continued operation of the Bank by the Comptroller of the Currency (the "**Comptroller**") or his or her designee, at the time the Federal Deposit Insurance Corporation (the "**FDIC**") enters into an agreement to provide assistance to or on behalf of the Bank under (the authority contained in Section 13(c) of the Federal Deposit Insurance Act, 12 U.S.C. §1823(c); or by the Comptroller (or his or her designee) at the time the Comptroller (or his or her designee) approves a supervisory merger to resolve problems related to the operations of the Bank, or when the Bank is determined by the Comptroller to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.
- (f) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. §1828(k) and any rules and regulations promulgated thereunder, including 12 C.F.R. Part 359.

5. Termination of Employment. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights pursuant to this Agreement to any compensation or any other benefits from the Bank.

5.1 Expiration of the Term, Termination for Cause or Without Good Reason.

- (a) The Executive's employment hereunder may be terminated by the Bank upon the expiration of the Employment Term without extension or during the Employment Term by the Bank for Cause or by the Executive without Good Reason. If the Executive's employment is so terminated, the Executive shall be entitled to receive:
- (i) any accrued but unpaid Base Salary and accrued but unused vacation pay which shall be paid on the pay date immediately following the Termination Date (as defined in **Section 5.6** below) in accordance with the Bank's customary payroll procedures;
 - (ii) any earned but unpaid annual bonus with respect to any completed calendar year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date, except to the extent payment is otherwise deferred pursuant to any applicable deferred compensation arrangement;
 - (iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Bank's expense reimbursement policy; and
 - (iv) such employee benefits (including equity compensation), if any, as to which the Executive may be entitled under the Bank's employee benefit plans as of the Termination Date.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**".

- (b) Except as provided in **Section 4.10**, for purposes of this Agreement, "**Cause**" shall mean:
- (i) the Executive's conviction of any crime involving fraud, embezzlement, theft or dishonesty, or any similar issue that in the reasonable opinion of the Board would materially and negatively impact the reputation of the Bank or any of its subsidiaries or the Executive's ability to perform his duties;
 - (ii) serious willful misconduct by the Executive, including a material violation of a material provision of the Bank's Code of Conduct or the Executive's

material personal dishonesty in connection with the business or customers of the Bank or the material breach of fiduciary duty to the Bank or its customers for personal profit;

- (iii) any material breach by the Executive of any material provision of this Agreement;
- (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Board or the President of the Bank, other than any failure resulting from the Executive's incapacity due to physical or mental injury or illness;
- (v) any willful failure to keep confidential material information of the Bank or its subsidiaries confidential (except as necessary to the performance of his duties in his reasonable discretion);
- (vi) the Executive's arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the sole opinion of two-thirds or more of the full membership of the Board (excluding the Executive) has caused a material negative impact the reputation of the Bank or prevents the Executive from substantially performing his duties hereunder; or
- (vii) if the regulatory authorities of the Bank issue an order removing the Executive from his positions at the Bank, or if such regulatory authorities inform the Board that the continuation of the Executive in his officer positions at the Bank would constitute an unsafe and unsound banking practice.

The Bank cannot terminate the Executive's employment for Cause unless it has provided written notice to the Executive of the existence of the circumstances providing grounds for termination for Cause and the Executive has had 30 days from the date on which such notice is provided to cure such circumstances, if such grounds are curable (e.g., conviction is not curable). If the Executive remedies the condition within such 30-day cure period, then no Cause shall be deemed to exist with respect to such condition. If the Executive does not remedy the curable condition within such 30-day cure period, then the Bank may deliver a notice of termination for Cause at any time following the expiration of such cure period.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Bank. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board or based upon the written advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Bank.

In the event that the Executive is terminated for Cause based on **Section 5.1(b)(i)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of

competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

- (c) For purposes of this Agreement, “**Good Reason**” shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive’s written consent:
- (i) any reduction in the Executive’s Base Salary;
 - (ii) a material reduction in the Executive’s target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
 - (iii) a relocation of the Executive’s principal place of employment outside of the Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey;
 - (iv) any material breach by the Bank of any material provision of this Agreement;
 - (v) a material, adverse change in the Executive’s title, authority, duties or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law);
 - (vi) a material adverse change in the reporting structure applicable to the Executive; or
 - (vii) the failure of the Bank to extend this Agreement in accordance with **Section 1** hereof.

The Executive cannot terminate his employment with respect to the Bank for Good Reason unless he has provided written notice to the Bank of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the Bank has had 30 days from the date on which such notice is provided to cure such circumstances. If the Bank remedies the condition within such 30-day cure period, then no Good Reason shall be deemed to exist with respect to such condition. If the Bank does not remedy the condition within such 30-day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within 60 days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within 60 days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason with respect to such grounds.

5.2 Without Cause or for Good Reason. The Employment Term and the Executive’s employment hereunder with the Bank may be terminated by the Executive for Good Reason or by the Bank without Cause. In the event of such termination (unless **Section 5.4** below is applicable), the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive’s compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a mutually agreeable release of claims in favor of the Bank and its subsidiaries and

their respective officers and directors, which release the parties shall not unreasonably decline or agree on (a “**Release**”) and such Release becoming effective as provided therein (“**Release Execution Period**”), the Executive shall be entitled to receive the following:

- (a) A lump sum payment equal to the sum of: (i) 1.5 times (1.0 times in the case of a resignation for Good Reason pursuant to **Section 5.1(c)(viii)**) the sum of the Executive’s then current Base Salary and the annual bonus and any other cash compensation earned for the calendar year prior to the calendar year in which the Termination Date occurs; and (ii) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the Bank or any affiliate of the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive’s employment with the Bank provided the Release shall have become effective prior to that date.
- (b) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 (“**COBRA**”), the Bank shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
 - (i) the second year anniversary of the Termination Date;
 - (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
 - (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

Notwithstanding the foregoing, the Bank is not required to pay any amounts pursuant to this **Section 5.2(b)** if the Bank determines, in its sole discretion, that the reimbursement would result in a violation of the nondiscrimination rules of section 105(h)(2) of the Internal Revenue Code of 1986 (the “**Code**”) or any statute or regulation of similar effect (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act).

- (c) A lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the Bank’s similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

5.3 Death or Disability.

- (a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Bank may terminate the Executive's employment with the Bank on account of the Executive's Disability.
- (b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:
 - (i) the Accrued Amounts; and
 - (ii) a lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the Bank's similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.
- (c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Bank's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity, to substantially perform his essential duties and responsibilities under this Agreement for 90 days out of any 365-day period; provided however, in the event the Bank temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive's employment shall not be deemed terminated by the Bank and the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the Bank cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Bank. If the Executive and the Bank cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Bank and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Change in Control Termination.

- (a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Bank without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within 24 months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6, Section 7**

and **Section 8** of this Agreement and his execution of a Release which becomes effective as provided therein, for which the Bank assigns significant value in agreeing to this **Section 5.4**, the Executive shall be entitled to receive the following:

- (i) A lump sum payment upon the effectiveness of the Release equal to the sum of: (y) 2.99 times his highest annual compensation for services rendered that was includible in the Executive's gross income (partial years being annualized) for the immediately preceding three taxable years (or such shorter period as the Executive was employed); and (z) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the Bank or any affiliate of the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the Bank provided the Release shall have become effective prior to that date.
- (ii) If the Executive timely and properly elects continuation coverage under COBRA, the Bank shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:
 - (x) the second year anniversary of the Termination Date;
 - (y) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
 - (z) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.
- (b) For purposes of this Agreement, a "**Change in Control**" shall mean an event involving the Bank that: (i) would be required to be reported in response to Item 5.01 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "**Exchange Act**"); or (ii) results in a Change in Control of the Bank within the meaning of the Home Owners' Loan Act of 1933, as amended, the Federal Deposit Insurance Act, or the Rules and Regulations promulgated by the OCC, as in effect on the date hereof (provided, that in applying the definition of change in control as set forth under the rules and regulations of the OCC, the Board shall substitute its judgment for that of the OCC); or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as:
 - (i) any "**person**" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3

under the Exchange Act), directly or indirectly, of voting securities of the Bank representing 20% or more of the Bank's outstanding voting securities or right to acquire such securities except for any voting securities purchased by any employee benefit plan of the Bank or by the Ponce De Leon Foundation;

- (ii) individuals who constitute the Board on the date hereof (the "**Incumbent Board**") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the Bank's stockholders was approved by a Nominating Committee solely composed of members which are Incumbent Board members, shall be, for purposes of this clause (B), considered as though he were a member of the Incumbent Board;
- (iii) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Bank or similar transaction occurs or is effectuated in which the Bank is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required federal regulatory approvals not including the lapse of any statutory waiting periods;
- (iv) a proxy statement has been distributed soliciting proxies from stockholders of the Bank, by someone other than the current management of the Bank, seeking stockholder approval of a plan of reorganization, merger or consolidation of the Bank with one or more companies as a result of which the outstanding shares of the class of securities then subject to such plan or transaction are exchanged for or converted into cash or property or securities not issued by the Bank; or
- (v) a tender offer is made for 20% or more of the voting securities of the Bank then outstanding.

In no event, however, shall a Change in Control be deemed to have occurred as a result of: (X) any acquisition of securities or assets of the MHC or the Bancorp by the MHC or the Bancorp, by one or more subsidiaries of the MHC or the Bancorp, by any employee benefit plan maintained by the MHC, the Bancorp or the Bank or by the Ponce De Leon Foundation; (Y) an initial public offering of securities issued by Bancorp; or (Z) the conversion of the MHC to stock form, any reorganization used to effect such a conversion, or any offering of securities in connection with such conversion.

5.5 Notice of Termination. Any termination of the Executive's employment hereunder by the Bank or by the Executive during the Employment Term (other than termination pursuant to **Section 5.3(a)** on account of the Executive's death) shall be communicated by a written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with **Section 21**. The Notice of Termination shall specify:

- (a) the termination provision of this Agreement relied upon;

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- (b) to the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
 - (c) the applicable Termination Date.

5.6 Termination Date. The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;
- (c) If the Bank terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;
- (d) If the Bank terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; or
- (e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "**separation from service**" within the meaning of Code section 409A.

5.7 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.8 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors (or a committee thereof) of the Bank or any of its subsidiaries.

5.9 Code Section 280G.

- (a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether

pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the “**280G Payments**”) constitute “parachute payments” within the meaning of Code section 280G and will be subject to the excise tax imposed under Code section 4999 (the “**Excise Tax**”), then such 280G Payments shall be reduced by the minimum amount required so that no amount payable to the Executive will be subject to the Excise Tax (with the cash severance under this Agreement to be reduced first and with any further reductions that may be required to be determined by Tax Counsel (as defined below) in a manner that minimizes the impact to the Executive).

- (b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Bank (the “**Tax Counsel**”) whose determinations shall be conclusive and binding on the Bank and the Executive for all purposes. For purposes of making the calculations and determinations required by this **Section 5.9**, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Code sections 280G and 4999. The Bank and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this **Section 5.9**. The Bank shall bear all costs the Tax Counsel may reasonably incur in connection with its services.
- (c) The Bank’s obligations under this Section shall not be conditioned upon the Executive’s termination of employment. By way of example, in the event of a Change in Control that does not result in Executive’s termination of employment or entitlement to severance benefits under this Agreement, but which causes the accelerated vesting of any shares of restricted stock, stock options or other awards issued to the Executive giving rise to an Excise Tax, the Bank’s obligations under this Section shall apply with respect to such accelerated vesting.

6. **Cooperation.** The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive’s cooperation in the future. Accordingly, following the termination of the Executive’s employment for any reason, to the extent reasonably requested by the Bank, the Executive shall cooperate with the Bank in connection with matters arising out of the Executive’s service to the Bank; provided that, the Bank shall make reasonable efforts to minimize disruption of the Executive’s other activities. The Bank shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation, including reasonable attorney’s fees, and compensate the Executive at an hourly rate based on the Executive’s Base Salary on the Termination Date.

7. **Confidential Information.** The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, “**Confidential Information**” includes, but is not limited to, all information not generally available and known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the Bank or any of its subsidiaries, or of any other person or entity that has entrusted information to the Bank in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the Bank as if the Bank furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive’s behalf.

Without otherwise limiting the foregoing, the parties agree that this Agreement and the terms hereof (“**Contract Information**”) shall constitute Confidential Information unless and until the Bank determines that it or they must or should be disclosed, in whole or in part. The Bank intends to coordinate any such required or desired disclosure of Contract Information with the Executive.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as needed in the performance of the Executive’s authorized employment duties to the Bank; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Bank, except as needed in the performance of the Executive’s authorized employment duties to the Bank and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment with the Bank) and shall continue during and after his employment by the Bank until such time as such Confidential Information has become public knowledge other than as a result of the Executive’s breach of this Agreement or breach by those acting in concert with the Executive or on the Executive’s behalf. Nothing herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Bank. The Executive understands and acknowledges that the intellectual services he provides to the Bank are unique, special or extraordinary.

The Executive further understands and acknowledges that the Bank's ability to reserve these services for the exclusive knowledge and use of the Bank is of great competitive importance and commercial value to the Bank, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the Bank's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of one year, beginning on the last day of the Executive's employment with the Bank, for any reason or no reason and whether employment is terminated at the option of the Executive or the Bank, the Executive agrees and covenants not to engage in Prohibited Activity within any county or borough in which the Bank or any of its subsidiaries maintains as of the Termination Date or has pending as of the Termination Date a filing for permission to establish a branch, loan production office, or mortgage production office (the "**Restricted Area**").

For purposes of this **Section 8.2**:

- (a) "**Prohibited Activity**" is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity becomes affiliated with any FDIC insured institution (or affiliate thereof) headquartered or with branches in the New York City metropolitan area;
- (b) "**become affiliated**" shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the Bank or any of its subsidiaries, and shall include without limitation being employed by any FDIC insured institution which has a branch or other place of business in the Restricted Area, but shall exclude the permitted activities under **Section 2.2**.

Nothing herein shall prohibit the Executive from purchasing or owning less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Bank or any of its subsidiaries for the term of one year, beginning on the last day of the Executive's employment with the Bank.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the Bank, he will have access to and learn about much or all of the customers, prospective customers and referral sources of the Bank and its subsidiaries. The Executive understands and acknowledges that loss of these customer and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one year, beginning on the last day of the Executive's employment with the Bank, not to directly or indirectly (a) solicit any actual or prospective customer or customer-referral source who had a business relationship with the Bank or any of its subsidiaries during the period of time in which the Executive was employed by the Bank, it being expressly agreed that soliciting a referral from a prospective customer or customer-referral source is included within this prohibition; or (b) encourage any such customer or customer-referral source to turn down, terminate or reduce a business relationship with the Bank or any of its subsidiaries.

8.5 Non-disparagement. Executive agrees and covenants that he will not at any time following the termination of his employment with the Bank, make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Bank or any of its subsidiaries or their respective businesses, or any of their employees, officers, and existing and prospective customers. Nothing contained in this **Section 8.5** shall preclude (i) the Executive from reporting information to, or participating in any investigation or proceeding conducted by, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, or any federal, state, or local governmental agency or entity; (ii) either Executive or the Bank from making truthful statements or disclosures that are required by applicable law, regulation or legal process; or (iii) either Executive or any Bank from enforcing their respective rights under this Agreement.

8.6 Non-Interference Covenant. For a period of one year, beginning on the last day of the Executive's employment with the Bank, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

- (a) solicit, employ, or otherwise interfere with any of the contracts or relationships of the Bank or any of its subsidiaries with any employee, officer, director or any independent contractor who is employed by or associated with the Bank or any of its subsidiaries as of the Termination Date; or
- (b) actively solicit or cause to be solicited, or otherwise actively interfere with, any of the contracts or relationships of the Bank or any of its subsidiaries with any independent contractor, customer, client or supplier of the Bank or any of its subsidiaries.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the Bank or any of its subsidiaries shall be the sole property of the Bank. Upon termination of his employment with the Bank, the Executive shall deliver the same to the Bank and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the Bank all other property in his possession owned by the Bank upon the termination of his employment.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by his to the Bank are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Bank's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Bank.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the Bank's rights under **Section 7** and **Section 8** of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of **Section 6** and **Section 7** of this Agreement or the Bank's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the Bank shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the Bank, or any other dispute arising out of this Agreement which cannot be resolved by any party upon 30 days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in New York City, New York in accordance with the then prevailing Employment Dispute Resolution Rules of the American Arbitration Association by a single arbitrator. The judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This **Section 11** shall not in any way restrict the right of the Bank or the Executive to obtain injunctive relief from a court of competent jurisdiction.

The Bank shall pay all arbitration costs and all other costs in connection with any arbitration proceeding hereunder, including but not limited to reasonable attorneys' fees incurred by the Executive in connection with the arbitration.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed and enforced in all respects in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws, and in accordance with and subject to any applicable federal laws to which the Bank may be subject as a federally chartered FDIC insured institution. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of **Section 11** above shall be brought only in a state or federal court located in New York City, New York. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Bank pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that this Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of this Agreement.

14. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Chairman of the Board. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

15. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

16. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

17. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

18. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the time period for compliance with such obligations shall be tolled for the full period in which the Executive is in violation of such obligations, with the tolled period to be added to the period of time remaining following the first date on which the Executive ceases to be in violation of such obligation.

19. Code Section 409A.

19.1 This Agreement is intended to comply with Code section 409A or an exemption thereunder and shall be construed and administered in accordance with Code section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Code section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Code section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Code section 409A to the maximum extent possible.

19.2 For purposes of Code section 409A, each installment payment provided under this Agreement shall be treated as a separate payment.

19.3 For purposes of this Agreement, any reference to “**termination**” of Executive’s employment or similar term shall be interpreted consistent with the meaning of the term “**separation from service**” in Code section 409A(a)(2)(A)(i) and no portion of any benefits payable to Executive on account of any such “**termination**” shall be paid prior to the date such Employee incurs a separation from service under Code section 409A(a)(2)(A)(i).

19.4 Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year.

19.5 All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code section 409A to the extent that such reimbursements or in-kind benefits are subject to Code section 409A. All expenses or reimbursements paid pursuant to this Agreement that are taxable income to the Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which the Employee incurs such expense or pays the related tax. With regard to any provision in this Agreement for the right to reimbursement or in-kind benefits, such right shall not be subject to

liquidation or exchange for another benefit, the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Code section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect, and such payments shall be made on or before the last day of the Employee's taxable year following the taxable year in which the expense was incurred.

19.6 Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute "**nonqualified deferred compensation**" within the meaning of Code section 409A and the Executive is determined to be a "**specified employee**" as defined in Code section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the "**Specified Employee Payment Date**"), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Code section 409A. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

19.7 Notwithstanding the foregoing, the Bank makes no representations that the payments and benefits provided under this Agreement comply with Code section 409A and in no event shall any of the Bank be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Code section 409A.

20. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Bank may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Bank. This Agreement shall inure to the benefit of the Bank and permitted successors and assigns.

21. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Bank or its successor:

Chair of the Board of Directors
Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

President
Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

If to the Executive:

Frank Perez
c/o Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Frank Perez
(last home address on file with the Bank)

22. Representations of the Executive. The Executive represents and warrants to the Bank that:

22.1 The Executive's acceptance of employment with the Bank and the performance his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

22.2 The Executive's acceptance of employment with the Bank and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

23. Withholding. The Bank shall have the right to withhold from any amount payable hereunder any federal, state and local taxes in order for the Bank to satisfy any withholding tax obligation it may have under any applicable law or regulation.

24. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

25. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

Employment Agreement

This Employment Agreement (the “**Agreement**”) is made and entered into as of _____, 2017, by and among Frank Perez (the “**Executive**”) on the one side, and on the other side Ponce Bank Mutual Holding Company, a federally chartered mutual holding company (the “**MHC**”), and PDL Community Bancorp, a federally chartered savings and loan holding company (the “**Bancorp**”).

WHEREAS, the MHC owns a majority of the voting shares of the Bancorp;

WHEREAS, the Bancorp owns 100% of the voting shares of Ponce De Leon Federal Bank, a federally chartered bank (the “**Bank**”); and

WHEREAS, the Executive desires to be employed by the MHC and the Bancorp on the terms and conditions set forth herein, and the MHC and the Bancorp desire to employ the Executive on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. **Term.** The Executive’s employment hereunder shall be effective as of the date first written above (the “**Effective Date**”) and shall continue until the first anniversary of the Effective Date unless terminated earlier pursuant to **Section 5** of this Agreement or extended in accordance with this Section.

Commencing on the first anniversary of the Effective Date, and continuing on each anniversary thereof, the term of this Agreement shall be extended for one year until such time as the Chief Executive Officer of the MHC and the Bancorp or the Executive elects not to extend the term of the Agreement by giving written notice to the other party at least 90 days in advance of any such anniversary date.

The Chief Executive Officer of the MHC and the Bancorp in consultation with the Boards of Directors of the MHC and the Bancorp (in each case, a “**Board**”) will review this Agreement and Executive’s performance annually for purposes of determining whether to extend the Agreement and the rationale and results thereof shall be included in the minutes of the Board’s meeting. Each Board shall give notice to the Executive as soon as practicable after such review as to whether this Agreement is to be extended. The period during which the Executive is employed hereunder is hereinafter referred to as the “**Employment Term**.” The Chief Executive Officers of the MHC and the Bancorp in consultation with the Boards shall conduct periodic reviews of the Executive’s performance at least annually and prior to the 90-day written notice which is required to be provided to the Executive of non-renewal and may increase, but not decrease, the Executive’s salary, benefits and other compensation hereunder.

2. Positions and Duties.

2.1 **Positions.** During the Employment Term the Executive shall serve as the Chief Financial Officer of the MHC and Bancorp. In such positions, the Executive shall have such duties, authority and responsibility as shall be determined from time to time by the Chief Executive Officers of MHC and the Bancorp, which duties, authority and responsibility are

consistent with the Executive's position. In addition, if requested, the Executive will also serve as an officer or director of any other affiliate of the MHC or the Bancorp for no additional compensation.

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of his business time and attention (other than during weekends, holidays, vacation periods, and periods of illness or leaves of absence) to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the Boards of the MHC and the Bancorp. Notwithstanding the foregoing, the Executive will be permitted to:

- (a) with the prior written consent of the Chief Executive Officers of the MHC and the Bancorp, act or serve as a director, trustee, committee member or advisor of any type of business, civic or charitable organization; and
- (b) purchase or own less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company;

provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the MHC and the Bancorp as provided hereunder.

3. Place of Performance. The principal place of the Executive's employment shall be the Bank's executive office currently located in Bronx, New York; provided that, the Executive will be required to travel on the MHC or the Bancorp business during the Employment Term. The MHC and the Bancorp shall provide the executive at his principal place of employment with a private office, secretarial services and other support services and facilities suitable to his positions hereunder and as necessary or appropriate in connection with the performance of his assigned duties under this Agreement.

4. Compensation.

4.1 Base Salary. The MHC and the Bancorp shall pay the Executive a base annual salary of \$190,000 in periodic instalments in accordance with the customary payroll practices of the MHC and the Bancorp, but no less frequently than monthly. The Executive's annual base salary may be increased from time to time, but may not be decreased without the Executive's written consent. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**".

4.2 Incentive and/or Bonus Compensation. In addition to the foregoing minimum Base Salary, the Executive shall be eligible during the term of this Agreement to receive incentive compensation determined and payable in accordance with any incentive compensation plans of the MHC and the Bancorp in effect from time to time for members of executive management generally.

4.3 Fringe Benefits and Perquisites. During the Employment Term, the Executive shall be entitled to fringe benefits and perquisites consistent with the practices of the Bancorp, and to the extent the Bancorp provides similar benefits or perquisites (or both) to similarly situated executives of the MHC and the Bancorp.

4.4 Participation in Benefit and Retirement Plans. The Executive shall participate in and receive the benefits of any plan of the MHC or the Bancorp that may be or may become applicable to executive management relating to pension or other retirement benefit plans, tax deferred compensation plans, profit-sharing, stock options, restricted stock or any other stock based plans or incentive plans, or other plans, benefits and privileges given to employees and executives of the MHC or the Bancorp, to the extent commensurate with his then duties and responsibilities as fixed by the MHC or the Bancorp. The MHC and the Bancorp reserve the right to amend or cancel any benefit plan or program at any time in their sole discretion, subject to the terms of such benefit plan or program and applicable law.

4.5 Disability Benefits. The Bank will establish a long-term disability plan that will provide the Executive with disability benefits for the remaining term of this Agreement in the event he is disabled equal to 100% of his base annual salary hereunder.

4.6 Vacation. During the Employment Term, the Executive shall be entitled to four weeks paid vacation days per calendar year (pro-rated for partial years) in accordance with the vacation policies of the MHC and the Bancorp, as in effect from time to time.

4.7 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with an expense reimbursement policy and procedures approved by the MHC and the Bancorp.

4.8 Indemnification and Insurance.

- (a) The MHC and the Bancorp shall indemnify the Executive (and his heirs, executors and administrators) for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the MHC, the Bancorp or the Bank or any subsidiary or affiliate of the MHC, the Bancorp or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the cost of reasonable settlements; provided, however, that neither the MHC nor the Bancorp can indemnify the Executive for a settlement or final judgment against the Executive (or a final judgment in the Executive's favor, other than on the merits) unless a majority of the disinterested directors of the MHC or Bancorp, as applicable, determine that the Executive was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed under the circumstances was in the best interests of the MHC or its members.

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- (b) Notwithstanding the foregoing, no indemnification shall be made under this **Section 4.8** unless the MHC or the Bancorp, as applicable, gives the Federal Reserve Board at least 60 days' notice of its intention to make such indemnification. Such notice shall state the facts on which the action arose, the terms of any settlement, and any disposition of the action by a court. Such notice, a copy thereof, and a certified copy of the resolution containing the required determination by the board of directors shall be sent to the appropriate Reserve Bank. The notice period shall run from the date of such receipt. No such indemnification shall be made if the Federal Reserve Board advises the MHC or the Bancorp in writing within such notice period of its objection thereto.
- (c) The MHC and the Bancorp shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at their expense for the term of the Agreement and for a period of six years thereafter to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by the Executive in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of the Executive having been a director or officer of the MHC, the Bancorp or the Bank or any subsidiary or affiliate of the MHC, the Bancorp or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities). However, such coverage may not provide for payment of losses of any individual incurred as a consequence of his willful or criminal misconduct.
- (d) If a majority of the directors of the MHC or the Bancorp conclude that, in connection with an action, the Executive (including his heirs, executors and administrators) may ultimately may become entitled to indemnification under this **Section 4.8**, the directors may authorize payment of reasonable costs and expenses, including reasonable attorneys' fees, arising from the defense or settlement of such action. Nothing in this subsection (d) shall prevent the directors of the MHC or the Bancorp from imposing such conditions on a payment of expenses as they deem warranted and in the interests of the MHC or the Bancorp. Before making advance payment of expenses under this subsection (d), the MHC or the Bancorp shall obtain an agreement that it will be repaid if the person on whose behalf payment is made is later determined not to be entitled to such indemnification.
- (e) Neither the MHC nor the Bancorp shall indemnify any person referred to in **Section 4.8(a)** or provide any insurance referred to in **Section 4.8(c)** other than in accordance with this **Section 4.8**; provided, however, if the MHC has a bylaw in effect relating to indemnification of its personnel, any indemnification under that bylaw shall be governed solely by that bylaw.
- (f) Any indemnification made by the MHC or the Bancorp pursuant to **Section 4.8(a)** shall be made in accordance with the requirements of 12 C.F.R. §239.40 or any successor provision, and is subject to and qualified by 12 U.S.C. §1821(k).

4.9 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any incentive-based compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the MHC and the Bancorp which is subject to recovery under any law, government regulation or stock exchange listing requirement, will be subject to such deductions and clawback as shall be required to be made pursuant to such law, government regulation or stock exchange listing requirement (or any policy adopted by the MHC and the Bancorp pursuant to any such law, government regulation or stock exchange listing requirement).

4.10 Required Regulatory Provisions.

- (a) The MHC or the Bancorp may terminate the Executive's employment with the MHC or the Bancorp at any time, but any such termination, other than termination for Cause, shall not prejudice the Executive's right to receive compensation or other benefits under this Agreement. The Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause. For purposes of this **Section 4.10(a)**, "Cause" means personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order, or material breach by Executive of any provision of this Agreement.
- (b) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the MHC's or the Bancorp's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1); the MHC's or the Bancorp's, as applicable, obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the MHC may in its discretion: (i) pay the Executive all or part of the compensation withheld while its obligations under this Agreement were suspended; and (ii) reinstate (in whole or in part) any of the obligations which were suspended.
- (c) If the Executive is removed and/or permanently prohibited from participating in the conduct of the MHC's or the Bancorp's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the MHC or the Bancorp, as applicable, under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.
- (d) If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1), all obligations of the MHC and or the Bancorp under this contract shall terminate as of the date of default, but the vested rights of the MHC and the Executive shall not be affected.

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- (e) If the MHC or the Bancorp is subject to bankruptcy proceedings under Title 11 of the United States Code, all obligations of the MHC or the Bancorp, as applicable, under this Agreement shall terminate as of the date the petition is filed, but the vested rights of the MHC, the Bancorp and the Executive shall not be affected.
 - (f) All obligations of the MHC or the Bancorp under this Agreement shall be terminated, except to the extent it is determined that continuation of the Agreement is necessary for the continued operation of the MHC or the Bancorp, as applicable by the Federal Reserve Board at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, U.S.C. §1823(c); or by the Federal Reserve Board at the time the Federal Reserve Board approves a supervisory merger to resolve problems related to the operations of the MHC or the Bancorp, or when the MHC or the Bancorp is determined by the Federal Reserve Board to be in an unsafe or unsound condition.
 - (g) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. §1828(k) and any rules and regulations promulgated thereunder, including 12 C.F.R. Part 359.

5. Termination of Employment. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this **Section 5** and shall have no further rights pursuant to this Agreement to any compensation or any other benefits from the MHC, the Bancorp, the Bank or any of their affiliates, as applicable.

5.1 Expiration of the Term, Termination for Cause or Without Good Reason.

- (a) The Executive's employment hereunder may be terminated by the MHC or the Bancorp upon the expiration of the Employment Term without extension or during the Employment Term by the MHC or the Bancorp for Cause or by the Executive without Good Reason. If the Executive's employment is so terminated, the Executive shall be entitled to receive:
 - (i) any accrued but unpaid Base Salary and accrued but unused vacation pay which shall be paid on the pay date immediately following the Termination Date (as defined in **Section 5.6** below) in accordance with the customary payroll procedures of the MHC or the Bancorp;
 - (ii) any earned but unpaid annual bonus by any completed calendar year immediately preceding the Termination Date, which shall be paid on the otherwise applicable payment date, except to the extent payment is otherwise deferred pursuant to any applicable deferred compensation arrangement;

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- (iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the expense reimbursement policy or the MHC or the Bancorp; and
 - (iv) such employee benefits (including equity compensation), if any, as to which the Executive may be entitled under the employee benefit plans of the MHC or the Bancorp as of the Termination Date.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the “**Accrued Amounts**”.

- (b) Except as provided in **Section 4.10**, for purposes of this Agreement, “**Cause**” shall mean:
 - (i) the Executive’s conviction of any crime involving fraud, embezzlement, theft or dishonesty, or any similar issue that in the reasonable opinion of the Board of Directors of the MHC or the Bancorp would materially and negatively impact the reputation of the MHC, the Bancorp, the Bank or any of their affiliates or the Executive’s ability to perform his duties;
 - (ii) serious willful misconduct by the Executive, including a material violation of a material provision of the MHC’s or the Bancorp’s Code of Conduct or the Executive’s material personal dishonesty in connection with the business or customers of the Bank or the material breach of fiduciary duty to the MHC, the Bancorp, the Bank or their customers for personal profit;
 - (iii) any material breach by the Executive of any material provision of this Agreement;
 - (iv) any willful failure by the Executive to follow a reasonable and lawful directive of the Board of Directors of the MHC or the Bancorp, other than any failure resulting from the Executive’s incapacity due to physical or mental injury or illness;
 - (v) any willful failure to keep confidential material information of the MHC, the Bancorp, the Bank or their affiliates confidential (except as necessary to the performance of his duties in his reasonable discretion);
 - (vi) the Executive’s arrest for any crime involving fraud, embezzlement, theft or dishonesty that in the sole opinion of two-thirds or more of the full membership of the Board of Directors of the MHC or the Bancorp (excluding the Executive) has caused a material negative impact the reputation of the MHC, the Bancorp or the Bank or prevents the Executive from substantially performing his duties hereunder; or
 - (vii) if the regulatory authorities of the MHC, the Bancorp or the Bank issue an order removing the Executive from his positions at the MHC, the Bancorp or the Bank, or if such regulatory authorities inform the Board of Directors of the MHC or the Bancorp that the continuation of the Executive in his officer positions at the MHC, the Bancorp or the Bank would constitute an unsafe and unsound banking practice.

The MHC or the Bancorp cannot terminate the Executive's employment for Cause unless it has provided written notice to the Executive of the existence of the circumstances providing grounds for termination for Cause and the Executive has had 30 days from the date on which such notice is provided to cure such circumstances, if such grounds are curable (e.g., conviction is not curable). If the Executive remedies the condition within such 30-day cure period, then no Cause shall be deemed to exist by such condition. If the Executive does not remedy the curable condition within such 30-day cure period, then the MHC or the Bancorp may deliver a notice of termination for Cause at any time following the expiration of such cure period.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the MHC and the Bancorp. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the MHC or the Bancorp or based upon the written advice of counsel for the MHC, the Bancorp or the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the MHC and the Bancorp.

In the event that the Executive is terminated for Cause based on **Section 5.1(b)(i)** above and, after the case is fully adjudicated (including all appeals), the Executive is subsequently found innocent of these charges on the merits of the case by any court of competent jurisdiction or the appropriate administrative agency, then the Executive will be entitled to receive at that time the amounts payable due to a termination without Cause. Such amounts will be paid no later than the end of the calendar year in which the Executive is fully adjudicated to be innocent of the charges.

- (c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:
- (i) any reduction in the Executive's Base Salary;
 - (ii) a material reduction in the Executive's target annual incentive opportunity under any annual incentive compensation or incentive plan or program;
 - (iii) a relocation of the Executive's principal place of employment outside of the Bronx, Queens, Manhattan, Brooklyn, New York or Hudson County, New Jersey;
 - (iv) any material breach by the MHC or the Bancorp of any material provision of this Agreement;

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- (v) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law);
 - (vi) a material adverse change in the reporting structure applicable to the Executive; or
 - (vii) the failure of the MHC or the Bancorp to extend the Agreement in accordance with **Section 1** hereof.

The Executive cannot terminate his employment by the MHC or the Bancorp for Good Reason unless he has provided written notice to the MHC or the Bancorp of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the MHC or the Bancorp has had 30 days from the date on which such notice is provided to cure such circumstances. If the MHC or the Bancorp remedies the condition within such 30-day cure period, then no Good Reason shall be deemed to exist by such condition. If the MHC or the Bancorp does not remedy the condition within such 30-day cure period, then the Executive may deliver a notice of termination for Good Reason at any time within 60 days following the expiration of such cure period. If the Executive does not terminate his employment for Good Reason within 60 days following the expiration of the cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason by such grounds.

5.2 Without Cause or for Good Reason. The Employment Term and the Executive's employment hereunder with the MHC and the Bancorp may be terminated by the Executive for Good Reason or by the MHC or the Bancorp without Cause. In the event of such termination (unless **Section 5.4** below is applicable), the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a mutually agreeable release of claims in favor of the MHC and the Bancorp and their affiliates and their respective officers and directors, which release the parties shall not unreasonably decline to agree on (a "**Release**") and such Release becoming effective as provided therein ("**Release Execution Period**"), the Executive shall be entitled to receive the following:

- (a) A lump sum payment equal to the sum of: (i) 3.0 times (2.0 times in the case of a resignation for Good Reason pursuant to **Section 5.1(c)(ix)**) the sum of the Executive's then current Base Salary and the annual bonus and any other cash compensation earned for the calendar year prior to the calendar year in which the Termination Date occurs; and (ii) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the MHC, the Bancorp or the Bank or any successor plan that are forfeited as a result of such termination, whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the MHC or the Bancorp provided the Release shall have become effective prior to that date.
- (b) If the Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("**COBRA**"), the MHC or the Bancorp shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the

monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on or before the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:

- (i) the second year anniversary of the Termination Date;
- (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; and
- (iii) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

Notwithstanding the foregoing, the MHC and the Bancorp are not required to pay any amounts pursuant to this **Section 5.2(b)** if the MHC or the Bancorp determines, in its sole discretion, that the reimbursement would result in a violation of the nondiscrimination rules of section 105(h)(2) of the Internal Revenue Code of 1986 (the “Code”) or any statute or regulation of similar effect (including, but not limited to, the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act).

- (c) A lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the MHC’s or the Bancorp’s similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

5.3 Death or Disability.

- (a) The Executive’s employment hereunder shall terminate automatically upon the Executive’s death during the Employment Term, and the MHC or the Bancorp may terminate the Executive’s employment with the MHC or the Bancorp on account of the Executive’s Disability.
- (b) If the Executive’s employment is terminated during the Employment Term on account of the Executive’s death or Disability, the Executive (or the Executive’s estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:
 - (i) the Accrued Amounts; and
 - (ii) a lump sum payment equal to the pro-rata annual bonus, if any, that the Executive would have earned for the year in which the Termination Date occurs based on the achievement of applicable performance goals for such year, which shall be payable on the date that annual bonuses are paid to the MHC’s or the Bancorp’s similarly situated executives, but in no event later than 2-1/2 months following the end of the calendar year in which the Termination Date occurs.

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- (c) For purposes of this Agreement, Disability shall mean that the Executive is entitled to receive long-term disability benefits under the Bank's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity, to substantially perform his essential duties and responsibilities under this Agreement for 90 days out of any 365-day period; provided however, in the event the MHC or the Bancorp temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive's employment shall not be deemed terminated by the MHC or the Bancorp and the Executive shall not be able to resign with Good Reason as a result thereof.

Any question as to the existence of the Executive's Disability as to which the Executive and the MHC or the Bancorp cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the MHC or the Bancorp. If the Executive and the MHC or the Bancorp cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the MHC or the Bancorp and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Change in Control Termination.

- (a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the MHC or the Bancorp without Cause (other than on account of the Executive's death or Disability), in each case either concurrently with or within 24 months following a Change in Control, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with **Section 6**, **Section 7** and **Section 8** of this Agreement and his execution of a Release which becomes effective as provided therein, for which the MHC and the Bancorp assign significant value in agreeing to this **Section 5.4**, the Executive shall be entitled to receive the following:
- (i) A lump sum payment upon the effectiveness of the Release equal to the sum of: (y) 2.99 times his highest annual compensation for services rendered to the MHC, the Bancorp, the Bank, or any of their affiliates that was includible in the Executive's gross income (partial years being annualized) for the immediately preceding three taxable years (or such shorter period as the Executive was employed); and (z) the value of any shares of restricted stock, stock options or other awards issued to Executive under any plan adopted by the MHC, the Bancorp or the Bank or any successor plan that are forfeited as a result of such termination,

whether vested or unvested. The payment shall be made 60 business days following the termination of Executive's employment with the MHC or the Bancorp provided the Release shall have become effective prior to that date.

(ii) If the Executive timely and properly elects continuation coverage under COBRA, the MHC or the Bancorp shall reimburse the Executive for the difference between the monthly COBRA premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth day of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of:

(x) the second year anniversary of the Termination Date;

(y) the date the Executive is no longer eligible to receive COBRA continuation coverage; and

(z) the date on which the Executive receives/becomes eligible to receive substantially similar coverage from another employer.

(b) For purposes of this Agreement, a "**Change in Control**" shall mean an event involving the Bancorp or the Bank that: (i) would be required to be reported in response to Item 5.01 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); or (ii) results in a Change in Control of the Bank or the Bancorp within the meaning of the Home Owners' Loan Act of 1933, as amended, the Federal Deposit Insurance Act, or the Rules and Regulations promulgated by the Office of the Comptroller of the Currency or its predecessor agency (collectively, the "OCC"), as in effect on the date hereof (provided, that in applying the definition of change in control as set forth under the rules and regulations of the OCC, the Board of Directors of the MHC or the Bancorp shall substitute its judgment for that of the OCC); or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as:

(i) any "**person**" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "**beneficial owner**" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of voting securities of the Bank or the Bancorp representing 20% or more of the Bancorp's outstanding voting securities or right to acquire such securities except for any voting securities purchased by the MHC or the Bancorp and any voting securities purchased by any employee benefit plan of the MHC, the Bancorp or the Bank or their affiliates or the Ponce De Leon Foundation;

(ii) individuals who constitute the Board of Directors of the MHC or the Bancorp on the date hereof (the "**Incumbent Board**") cease for any

reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the MHC's members or the Bancorp's stockholders was approved by a Nominating Committee solely composed of members which are Incumbent Board members, shall be, for purposes of this clause (ii), considered as though he were a member of the Incumbent Board;

- (iii) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the MHC, the Bancorp or the Bank or similar transaction occurs or is effectuated in which the MHC, the Bancorp or the Bank is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required federal regulatory approvals not including the lapse of any statutory waiting periods;
- (iv) a proxy statement has been distributed soliciting proxies from members of the MHC or the stockholders of the Bancorp, by someone other than the current management of the MHC or the Bancorp, seeking member or stockholder approval, as applicable, of a plan of reorganization, merger or consolidation of the MHC, the Bancorp or the Bank with one or more companies as a result of which the outstanding shares of the class of securities then subject to such plan or transaction are exchanged for or converted into cash or property or securities not issued by the Bank or the Bancorp or the member rights of the MHC are converted into member rights of another mutual holding company; or
- (v) a tender offer is made for 20% or more of the voting securities of the MHC, the Bancorp or the Bank then outstanding.

In no event, however, shall a Change in Control be deemed to have occurred as a result of: (X) any acquisition of securities or assets of the MHC or the Bancorp by the MHC or the Bancorp, by one or more subsidiaries of the MHC or the Bancorp, by any employee benefit plan maintained by the MHC, the Bancorp or the Bank or by the Ponce De Leon Foundation; (Y) an initial public offering of securities issued by Bancorp; or (Z) the conversion of the MHC to stock form, any reorganization used to effect such a conversion, or any offering of securities in connection with such conversion.

5.5 Notice of Termination. Any termination of the Executive's employment hereunder by the MHC or the Bancorp or by the Executive during the Employment Term (other than termination pursuant to **Section 5.3(a)** on account of the Executive's death) shall be communicated by a written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with **Section 22**. The Notice of Termination shall specify:

- (a) the termination provision of this Agreement relied upon;

-
- (b) to the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and
 - (c) the applicable Termination Date.

5.6 Termination Date. The Executive's Termination Date shall be:

- (a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;
- (b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;
- (c) If the MHC or the Bancorp terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;
- (d) If the MHC or the Bancorp terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; or
- (e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Code section 409A.

5.7 Mitigation. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and except as provided with respect to COBRA reimbursements, any amounts payable pursuant to this **Section 5** shall not be reduced by compensation the Executive earns on account of employment with another employer.

5.8 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, effective on the Termination Date and shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors (or a committee thereof) of the MHC or the Bancorp.

5.9 Section 280G.

- (a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or

agreement, or otherwise) (all such payments collectively referred to herein as the “**280G Payments**”) constitute “parachute payments” within the meaning of Code section 280G and will be subject to the excise tax imposed under Code section 4999 (the “**Excise Tax**”), then such 280G Payments shall be reduced by the minimum amount required so that no amount payable to the Executive will be subject to the Excise Tax (with the cash severance under this Agreement to be reduced first and with any further reductions that may be required to be determined by Tax Counsel (as defined below) in a manner that minimizes the impact to the Executive).

- (b) All calculations and determinations under this **Section 5.9** shall be made by an independent accounting firm or independent tax counsel appointed by the Bank (the “**Tax Counsel**”) whose determinations shall be conclusive and binding on the MHC, the Bancorp and the Executive for all purposes. For purposes of making the calculations and determinations required by this **Section 5.9**, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Code sections 280G and 4999. The MHC, the Bancorp and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this **Section 5.9**. The MHC and the Bancorp shall bear all costs the Tax Counsel may reasonably incur in connection with its services.
- (c) The MHC’s and the Bancorp’s obligations under this Section shall not be conditioned upon the Executive’s termination of employment. By way of example, in the event of a Change in Control that does not result in Executive’s termination of employment or entitlement to severance benefits under this Agreement, but which causes the accelerated vesting of any shares of restricted stock, stock options or other awards issued to the Executive giving rise to an Excise Tax, the MHC’s and the Bancorp’s obligations under this Section shall apply with respect to such accelerated vesting.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive’s cooperation in the future. Accordingly, following the termination of the Executive’s employment for any reason, to the extent reasonably requested by the MHC or the Bancorp, the Executive shall cooperate with the MHC and the Bancorp in connection with matters arising out of the Executive’s service to the MHC and the Bancorp; provided that, the MHC and the Bancorp shall make reasonable efforts to minimize disruption of the Executive’s other activities. The MHC and the Bancorp shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation, including reasonable attorney’s fees, and compensate the Executive at an hourly rate based on the Executive’s Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, “**Confidential Information**” includes, but is not limited to, all information not generally available and known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to the MHC or the Bancorp or any of their affiliates, or of any other person or entity that has entrusted information to the MHC or the Bancorp in confidence.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the MHC and the Bancorp as if the MHC or the Bancorp furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive or later; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive’s behalf.

Without otherwise limiting the foregoing, the parties agree that this Agreement and the terms hereof (“**Contract Information**”) shall constitute Confidential Information unless and until the MHC or the Bancorp determines that it or they must or should be disclosed, in whole or in part. The MHC and the Bancorp intends to coordinate any such required or desired disclosure of Contract Information with the Executive.

(b) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever except as needed in the performance of the Executive’s authorized employment duties to the MHC and the Bancorp; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the MHC or the Bancorp, except as needed in the performance of the Executive’s authorized employment duties to the MHC, the Bancorp and the Bank. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment with the MHC or the Bancorp) and shall continue during and after his employment by the MHC and the Bancorp until such time as such Confidential Information has become public knowledge other than as a result of the Executive’s breach of this Agreement or breach by those acting in concert with the Executive or on the Executive’s behalf. Nothing

herein shall prevent the Executive from disclosing Contract Information to his personal attorneys, accountants and other advisors, as necessary for the performance of their duties and on a confidential basis.

8. Restrictive Covenants.

8.1 Acknowledgment. The Executive understands that the nature of the Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the MHC and the Bancorp. The Executive understands and acknowledges that the intellectual services he provides to the MHC and the Bancorp are unique, special or extraordinary.

The Executive further understands and acknowledges that the MHC's and the Bancorp's ability to reserve these services for the exclusive knowledge and use of the MHC and the Bancorp is of great competitive importance and commercial value to the MHC and the Bancorp, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 Non-competition. Because of the MHC's and the Bancorp's legitimate business interests as described herein and the good and valuable consideration offered to the Executive, during the Employment Term and for the term of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, for any reason or no reason and whether employment is terminated at the option of the Executive, the MHC or the Bancorp, the Executive agrees and covenants not to engage in Prohibited Activity within any county or borough in which the MHC, the Bancorp or the Bank or any of their affiliates maintains as of the Termination Date or has pending as of the Termination Date a filing for permission to establish a branch, loan production office, or mortgage production office (the "**Restricted Area**").

For purposes of this **Section 8.2**:

- (a) "**Prohibited Activity**" is activity in which the Executive, directly or indirectly, solely or jointly with any person or persons, as an employee, consultant, or advisor (whether or not engaged in business for profit), or as an individual proprietor, partner, shareholder, director, officer, joint venturer, investor or lender, or in any other capacity becomes affiliated with any FDIC insured institution (or affiliate thereof) headquartered or with branches in the New York City metropolitan area;
- (b) "**become affiliated**" shall mean, without limitation, engaging, participating, or being involved in any respect in the business of banking (other than as a depositor, borrower or other customer), or furnishing any aid, assistance or service of any kind to any person in connection with the business of the MHC, Bancorp, the Bank or any of their affiliates, and shall include without limitation being employed by any FDIC insured institution which has a branch or other place of business in the Restricted Area, but shall exclude the permitted activities under **Section 2.2**.

Nothing herein shall prohibit the Executive from purchasing or owning less than 5% of the securities or ownership interests of any corporation, partnership or limited liability company,

provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation, partnership or limited liability company.

This **Section 8** does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to the Board of Directors of the MHC and the Bancorp.

8.3 Non-solicitation of Employees. The Executive agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the MHC, the Bancorp or the Bank or any of their affiliates for the term of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp.

8.4 Non-solicitation of Clients. The Executive understands and acknowledges that because of the Executive's experience with and relationship to the MHC and the Bancorp, he will have access to and learn about much or all of the customers, prospective customers and referral sources of the MHC, the Bancorp or the Bank and their affiliates. The Executive understands and acknowledges that loss of these customer and referral relationships and/or goodwill will cause significant and irreparable harm. The Executive agrees and covenants, for a period of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, not to directly or indirectly (a) solicit any actual or prospective customer or customer-referral source who had a business relationship with the MHC, the Bancorp, the Bank or any of their affiliates during the period of time in which the Executive was employed by the MHC and the Bancorp, it being expressly agreed that soliciting a referral from a prospective customer or customer-referral source is included within this prohibition; or (b) encourage any such customer or customer-referral source to turn down, terminate or reduce a business relationship with the MHC, the Bancorp and the Bank or any of their affiliates.

8.5 Non-disparagement. Executive agrees and covenants that he will not at any time following the termination of his employment with the MHC and the Bancorp, make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the MHC and the Bancorp or any of their affiliates or their respective businesses, or any of their employees, officers, and existing and prospective customers. Nothing contained in this **Section 8.5** shall preclude (i) the Executive from reporting information to, or participating in any investigation or proceeding conducted by, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, or any federal, state, or local governmental agency or entity; (ii) either Executive or the MHC or the Bancorp from making truthful statements or disclosures that are required by applicable law, regulation or legal process; or (iii) either Executive or any the MHC or the Bancorp from enforcing their respective rights under this Agreement.

8.6 Non-Interference Covenant. For a period of one year, beginning on the last day of the Executive's employment with the MHC and the Bancorp, the Executive covenants and agrees that he will not, directly or indirectly and for whatever reason, whether for his own account or for the account of any other person, firm, corporation or other organization:

- (a) solicit, employ, or otherwise interfere with any of the contracts or relationships of the MHC, the Bancorp, the Bank or any of their affiliates with any employee, officer, director or any independent contractor who is employed by or associated with the MHC, the Bancorp, the Bank or any of their affiliates as of the Termination Date; or
- (b) actively solicit or cause to be solicited, or otherwise actively interfere with, any of the contracts or relationships of the MHC, the Bancorp, the Bank or any of their affiliates with any independent contractor, customer, client or supplier of the MHC, the Bancorp or the Bank or any of their affiliates.

8.7 Business Materials and Property Disclosure. All written materials, records, and documents made by the Executive or coming into his possession concerning the business or affairs of the MHC and the Bancorp or any of their affiliates shall be the sole property of the MHC and the Bancorp. Upon termination of his employment with the MHC and the Bancorp, the Executive shall deliver the same to the MHC and the Bancorp and shall retain no copies, including but not limited to copies in paper, electronic, digital or any other format. The Executive shall also return to the MHC and the Bancorp all other property in his possession owned by the MHC and the Bancorp upon the termination of his employment.

If a court or arbitration panel concludes that the time period of the restriction set forth in this **Section 8** is not enforceable or that a specific geographical scope must be stated herein, then the parties agree that such court or arbitration panel may rewrite the time period of this restriction and/or prescribe a geographical restriction to the maximum enforceable time period and geographical area permitted by law.

9. Acknowledgement. The Executive acknowledges and agrees that the services to be rendered by his to the MHC and the Bancorp are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the MHC's and the Bancorp's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the MHC and the Bancorp.

The Executive further acknowledges that the amount of his compensation reflects, in part, his obligations and the MHC's and the Bancorp's rights under **Section 7** and **Section 8** of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; and that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of **Section 6** and **Section 7** of this Agreement or the MHC's and the Bancorp's enforcement thereof.

10. Remedies. In the event of a breach or threatened breach by the Executive of **Section 7** or **Section 8** of this Agreement, the Executive hereby consents and agrees that the MHC and the Bancorp shall be entitled to seek, in addition to other available remedies, a temporary or

permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

11. Arbitration. Any dispute whatsoever relating to the Executive's employment by the MHC and the Bancorp, or any other dispute arising out of this Agreement which cannot be resolved by any party upon 30 days' written notice to the other party, shall be settled by binding arbitration at a mutually agreed location in New York City, New York in accordance with then prevailing Employment Dispute Resolution Rules of the American Arbitration Association by a single arbitrator. The judgment upon the award rendered by the arbitrator may be entered in any court of competent jurisdiction. It is the purpose of this Agreement, and the intent of the parties hereto, to make the submission to arbitration of any dispute or controversy arising out of this Agreement, as set forth hereinabove, binding upon all parties hereto. This **Section 11** shall not in any way restrict the right of the MHC or the Bancorp or the Executive to obtain injunctive relief from a court of competent jurisdiction.

The MHC and the Bancorp shall pay all arbitration costs and all other costs in connection with any arbitration proceeding hereunder, including but not limited to reasonable attorneys' fees incurred by the Executive in connection with the arbitration.

12. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed and enforced in all respects in accordance with the laws of the State of New York, without regard to its principles of conflicts of laws, and in accordance with and subject to any applicable federal laws to which the MHC or the Bancorp may be subject. Any action or proceeding by either of the parties to enforce this Agreement that is not covered by the Arbitration provision of **Section 11** above shall be brought only in a state or federal court located in New York City, New York. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. Source of Payments: No Duplication of Payments. The MHC and the Bancorp shall each be jointly and severally liable for any obligations imposed by this Agreement upon the MHC or the Bancorp; provided, however, that in no event shall the Executive receive duplicate payments or benefits from the MHC and the Bancorp. Notwithstanding any provision herein to the contrary, to the extent that payments and benefits under this Agreement, are paid to or received by under the Employment Agreement dated _____, 2017, between Executive and the Bank, such compensation payments and benefits paid by the Bank will be subtracted from any amount due simultaneously to Executive under similar provisions of this Agreement.

14. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the MHC and the Bancorp pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, by such subject matter. The parties mutually agree that this Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

15. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the Chairman of the Board of Directors of the MHC and the Bancorp. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

16. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

17. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

18. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

19. Tolling. Should the Executive violate any of the terms of the restrictive covenant obligations articulated herein, the time period for compliance with such obligations shall be tolled for the full period in which the Executive is in violation of such obligations, with the tolled period to be added to the period of time remaining following the first date on which the Executive ceases to be in violation of such obligation.

20. Code Section 409A.

20.1 This Agreement is intended to comply with Code section 409A or an exemption thereunder and shall be construed and administered in accordance with Code section 409A. Notwithstanding any other provision of this Agreement, payments provided under this

Agreement may only be made upon an event and in a manner that complies with Code section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Code section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Code section 409A to the maximum extent possible.

20.2 For purposes of Code section 409A, each installment payment provided under this Agreement shall be treated as a separate payment.

20.3 For purposes of this Agreement, any reference to “termination” of Executive’s employment or similar term shall be interpreted consistent with the meaning of the term “separation from service” in Code section 409A(a)(2)(A)(i) and no portion of any benefits payable to Executive on account of any such “termination” shall be paid prior to the date such Employee incurs a separation from service under Code section 409A(a)(2)(A)(i).

20.4 Notwithstanding any other provision of this Agreement, in the event any payment is to be made during a specified time period following the expiration of the Release Execution Period and the time period for such payment begins in one calendar year and ends in a second calendar year, then such amount shall be payable in the second calendar year.

20.5 All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Code section 409A to the extent that such reimbursements or in-kind benefits are subject to Code section 409A. All expenses or reimbursements paid pursuant to this Agreement that are taxable income to the Executive shall in no event be paid later than the end of the calendar year next following the calendar year in which the Employee incurs such expense or pays the related tax. With regard to any provision in the Agreement for the right to reimbursement or in-kind benefits, such right shall not be subject to liquidation or exchange for another benefit, the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; provided that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Code section 105(b) solely because such expenses are subject to a limit related to the period the arrangement is in effect, and such payments shall be made on or before the last day of the Employee’s taxable year following the taxable year in which the expense was incurred.

20.6 Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute “nonqualified deferred compensation” within the meaning of Code section 409A and the Executive is determined to be a “specified employee” as defined in Code section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date (the “**Specified Employee Payment Date**”), unless the payment otherwise satisfies the short-term deferral exemption or another exemption under Code section 409A. The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

20.7 Notwithstanding the foregoing, the MHC and the Bancorp make no representations that the payments and benefits provided under this Agreement comply with Code section 409A and in no event shall the MHC or the Bancorp be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Code section 409A.

21. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The MHC or the Bancorp may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the MHC or the Bancorp. This Agreement shall inure to the benefit of the MHC and Bancorp and permitted successors and assigns.

22. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the MHC:

Chair of the Board of Directors
Ponce Bank Mutual Holding Company
2244 Westchester Ave.
Bronx, NY 10462

If to the Bancorp:

Chair of the Board of Directors
PDL Community Bancorp
2244 Westchester Ave.
Bronx, NY 10462

If to the Executive:

Frank Perez
c/o Ponce De Leon Federal Bank
2244 Westchester Ave.
Bronx, NY 10462

and

Frank Perez
(last home address on file with the Bank)

23. Representations of the Executive. The Executive represents and warrants to the MHC and the Bancorp that:

23.1 The Executive's acceptance of employment with the MHC and the Bancorp and the performance his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound.

23.2 The Executive's acceptance of employment with the MHC and the Bancorp and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

24. Withholding. The MHC and the Bancorp shall have the right to withhold from any amount payable hereunder any federal, state and local taxes in order for the MHC and the Bancorp to satisfy any withholding tax obligation it may have under any applicable law or regulation.

25. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

26. Acknowledgment of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PONCE BANK MUTUAL HOLDING COMPANY

By _____
Name: _____
Title: Chairman of the Board of Directors

PDL COMMUNITY BANCORP

By _____
Name: _____
Title: Chairman of the Board of Directors

EXECUTIVE

Signature: _____
Name: Frank Perez

Subsidiaries of the Registrant

(a) Upon completion of the reorganization described in the Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan filed with this Registration Statement as Exhibit 2.1, the subsidiaries of the registrant will be as follows:

<u>Subsidiary Name</u>	<u>State of Incorporation or Organization</u>
Ponce Bank	Federal

(b) Upon completion of the reorganization described in the Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan filed with this Registration Statement as Exhibit 2.1, the subsidiaries of Ponce Bank will be as follows:

<u>Subsidiary Name</u>	<u>State of Incorporation or Organization</u>
Ponce De Leon Mortgage Corporation	New York
PFS Services Inc.	New York



April 7, 2017

Board of Directors
Ponce Bank Mutual Holding Company
PDL Community Bancorp
Ponce De Leon Federal Bank
2244 Westchester Avenue
Bronx, New York 10462

Members of the Board of Directors:

We hereby consent to the use of our firm's name in the Form MHC-2 Application for Approval of a Minority Stock Issuance by a Subsidiary of a Mutual Holding Company, and any amendments thereto, to be filed with the Federal Reserve Board, and in the Registration Statement on Form S-1, and any amendments thereto, to be filed with the Securities and Exchange Commission. We also hereby consent to the inclusion of, summary of and references to our Valuation Appraisal Report and any Valuation Appraisal Report Updates and our statement concerning subscription rights in such filings including the prospectus of PDL Community Bancorp. We also consent to the reference to our firm under the heading "Experts" in the prospectus.

Sincerely,
RP® FINANCIAL, LC.

RP Financial, LC.

Washington Headquarters
Three Ballston Plaza
1100 North Glebe Road, Suite 600
Arlington, VA 22201
www.rpfinancial.com

Telephone: (703) 528-1700
Fax No.: (703) 528-1788
Toll-Free No.: (866) 723-0594
E-Mail: mail@rpfinancial.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in the Prospectus constituting part of the Registration Statement on Form S-1 of PDL Community Bancorp to be filed on April 12, 2017, of our report dated March 15, 2017, relating to the consolidated statements of financial condition of Ponce De Leon Federal Bank and Subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive income, changes in capital accounts and cash flows for the years then ended, which appears in such Prospectus. We also consent to the reference to our Firm under the caption "Experts" in such Prospectus.

/s/ Mazars USA, LLP
New York, NY
April 12, 2017



November 1, 2016

Mr. Carlos P. Naudon
President and Chief Operating Officer
Ponce De Leon Federal Bank
2244 Westchester Avenue
Bronx, New York 02303

Dear Mr. Naudon:

This letter sets forth the agreement between Ponce De Leon Federal Bank, Bronx, New York (the “Bank”), and RP® Financial, LC. (“RP Financial”), whereby RP Financial will provide the independent appraisal services in conjunction with the minority stock offering concurrent with the mutual holding company (the “MHC”) reorganization and formation of a mid-tier holding company (the “Company”). The scope, timing and fee structure for these appraisal services are described below.

These appraisal services will be directed by the undersigned, with the assistance of a Director, and as many as two Associates.

Description of Appraisal Services

In conjunction with these appraisal services, RP Financial will conduct a financial due diligence, including on-site interviews of senior management and reviews of historical and pro forma financial information and other documents and records, to gain insight into the operations, financial condition, profitability, market area, risks and various internal and external factors impacting the Bank. This review will be considered in determining the pro forma market value of the Company in accordance with the applicable regulatory appraisal guidelines. RP Financial will prepare a detailed written valuation report that will be fully consistent with applicable regulatory appraisal guidelines and standard pro forma valuation practices. The appraisal report will include an analysis of the Bank’s financial condition and operating results, as well as an assessment of the key risks and operating strategy. The appraisal report will incorporate an evaluation of the Bank’s business strategies, market area, prospects for the future and the intended use of proceeds. A peer group analysis relative to certain relatively comparable publicly-traded banking companies will be conducted for the purpose of determining appropriate valuation adjustments for the Company relative to the peer group’s pricing ratios.

We will review pertinent sections of the prospectus and conduct discussions with Bank representatives to obtain key information for the appraisal report, including key deal elements such as dividend policy and related regulatory requirements, use of proceeds, reinvestment rate, tax rate, offering expenses, stock plans characteristics, and charitable foundation contribution.

Washington Headquarters

Three Ballston Plaza
1100 North Glebe Road, Suite 600
Arlington, VA 22201
E-Mail: rriggins@rpfinancial.com

Direct: (703) 647-6543
Telephone: (703) 528-1700
Fax No.: (703) 528-1788
Toll-Free No.: (866) 723-0594

The original appraisal report will establish a midpoint pro forma market value in accordance with the applicable regulatory requirements. The appraisal report will provide the valuation basis for the Board to determine the size of the minority stock offering. The appraisal report may be periodically updated throughout the conversion process, and, in accordance with the conversion regulations, there will be at least one updated appraisal prepared at the closing of the minority stock offering to determine the number of shares to be issued. In the event of a syndicated community offering, it may be necessary to file an update in conjunction with the close of the subscription offering and prior to the pricing phase in the syndicated community offering. In the event of a syndicated community offering phase, RP Financial will participate in the various all hands calls regarding the offering results, pricing discussions and timing.

RP Financial agrees to deliver the original appraisal report and subsequent updates, in writing, to the Bank at the above address, in conjunction with the filing of the regulatory conversion applications and amendments thereto. Subsequent updates will be filed promptly as certain events occur which would warrant the preparation and filing of such appraisal updates pursuant to regulatory guidelines. Further, RP Financial agrees to perform such other services as are necessary or required in connection with the regulatory review of the appraisal and respond to the regulatory comments, if any, regarding the valuation original appraisal and subsequent updates.

RP Financial expects to formally present the appraisal report, including the appraisal methodology, peer group selection and assumptions, to the Board of Directors for review and consideration. If appropriate, RP Financial will present subsequent updates to the Board. It is understood that this appraisal may be presented either in person or telephonically.

Fee Structure and Payment Schedule

The Bank agrees to pay RP Financial the following fees for preparation and delivery of the original appraisal report and subsequent appraisal updates, plus reimbursable expenses. Payment of these fees shall be made according to the following schedule:

- \$15,000 upon execution of this letter of agreement engaging RP Financial's appraisal services;
- \$75,000 upon delivery of the completed original appraisal report; and
- \$10,000 upon delivery of each subsequent appraisal update report required in conjunction with the regulatory application and stock offering. It is anticipated that there will be at least one appraisal update report, specifically the update to be prepared in conjunction with the completion of the stock offering.

The Bank will reimburse RP Financial for reasonable out-of-pocket expenses incurred in preparation of the original appraisal and subsequent updates. Such out-of-pocket expenses will likely include travel, printing, telephone, facsimile, shipping, reasonable counsel fees, computer and data services, and will not exceed \$7,500 in the aggregate, without the Bank's authorization to exceed this level.

In the event the Bank shall, for any reason, discontinue the proposed transaction prior to delivery of the completed original appraisal report or subsequent updates and payment of the corresponding fees, the Bank agrees to compensate RP Financial according to RP Financial's standard billing rates for consulting services based on accumulated and verifiable time expenses, not to exceed the respective fee caps noted above, after applying full credit to the initial retainer fee towards such payment, together with reasonable out-of-pocket expenses, subject to the cap on such expenses as set forth above. RP Financial's standard billing rates range from \$75 per hour for Associates to \$450 per hour for Managing Directors.

If during the course of the proposed transaction, unforeseen events occur so as to materially change the nature or the work content of the services described in this contract, the terms of said contract shall be subject to renegotiation by the Bank and RP Financial. Such unforeseen events shall include, but not be limited to, material changes to the structure of the transaction such as inclusion of a simultaneous business combination transaction, material changes in the conversion regulations, appraisal guidelines or processing procedures as they relate to conversion appraisals, material changes in management or procedures, operating policies or philosophies, and excessive delays or suspension of processing of conversion applications by the regulators such that completion of the conversion transaction requires the preparation by RP Financial of a new appraisal.

Covenants, Representations and Warranties

The Bank and RP Financial agree to the following:

1. The Bank agrees to make available or to supply to RP Financial such information with respect to its business and financial condition as RP Financial may reasonably request in order to provide the aforesaid valuation. Such information heretofore or hereafter supplied or made available to RP Financial shall include, but not be limited to: annual audited and unaudited internal financial statements and management reports, business plan and budget, periodic regulatory filings and material agreements, debt instruments, off balance sheet assets or liabilities, commitments and contingencies, and other corporate books and records. All information provided by the Bank to RP Financial shall remain strictly confidential (unless such information is otherwise made available to the public), and if the MHC reorganization and minority stock offering is not consummated, or the services of RP Financial are terminated hereunder, RP Financial shall promptly return to the Bank the original and any copies of such information.

2. RP Financial represents that it will comply with any and all federal, state and local laws, regulations and ordinances governing or relating to the privacy, security, confidentiality or integrity of personal information, data, and confidential information ("Privacy Laws"). RP Financial shall implement such physical, administrative and technical safeguards as shall be necessary to ensure the security and confidentiality of any personal information, data, and confidential information it receives, including maintaining written policies and procedures detailing its compliance with any applicable Privacy Laws. Such written policies and procedures shall be made available to the Bank for review upon request. The Bank represents and warrants to RP Financial that any information provided to RP Financial does not and will not, to the best of the Bank's knowledge, at the times it is provided to RP Financial, contain any untrue statement of a material fact or in response to informational requests by RP Financial fail to state a material fact necessary to make the statements therein not false or misleading in light of the circumstances under which they were made.

3. (a) The Bank agrees that it will indemnify and hold harmless RP Financial, any affiliates of RP Financial, the respective members, officers, agents and employees of RP Financial or their successors and assigns who act for or on behalf of RP Financial in connection with the services called for under this agreement (hereinafter referred to as "RP Financial"), from and against any and all losses, claims, damages and liabilities (including, but not limited to, reasonable attorneys fees, and all losses and expenses in connection with claims under the federal securities laws) attributable to (i) any untrue statement of a material fact contained in the financial statements or other information furnished or otherwise provided by the Bank to RP Financial, either orally or in writing; (ii) the omission of a material fact from the financial statements or other information furnished or otherwise made available by the Bank to RP Financial; or (iii) any action or omission to act by the Bank, or the Bank's respective officers, directors, employees or agents, which action or omission is undertaken in bad faith or is negligent. The Bank will be under no obligation to indemnify RP Financial hereunder if a court determines that RP Financial was negligent or acted in bad faith with respect to any actions or omissions of RP Financial related to a matter for which indemnification is sought hereunder. Reasonable time devoted by RP Financial to situations for which RP Financial is deemed entitled to indemnification hereunder, shall be an indemnifiable cost payable by the Bank at the normal hourly professional rate chargeable by such employee.

Notwithstanding anything in this agreement to the contrary, RP Financial shall notify the Bank immediately via telephone, to be followed up in writing, of any actual, suspected or threatened security incident involving confidential information, and shall cooperate fully in investigating and responding to each successful or attempted security breach. RP Financial will defend, indemnify and hold the Bank harmless from and against all third party claims, losses, damages and liabilities arising out of a security breach and shall pay for all costs associated with responding to such breach, including without limitation, all legal, forensic, public relations, consultancy and other expert fees incurred by Bank, the costs of any and all notifications that Bank sends to individuals whose information was affected by any incident, and the cost of an annual credit monitoring services subscription for all such individuals.

(b) RP Financial shall give written notice to the Bank of such claim or facts within thirty days of the assertion of any claim or discovery of material facts upon which RP Financial intends to base a claim for indemnification hereunder, including the name of counsel that RP Financial intends to engage in connection with any indemnification related matter. In the event the Bank elects, within seven days of the receipt of the original notice thereof, to contest such claim by written notice to RP Financial, the Bank shall not be obligated to make payments under Section 3(c), but RP Financial will be entitled to be paid any amounts payable by the Bank hereunder within five days after the final non-appealable determination of such contest either by written acknowledgement of the Bank or a decision of a court of competent jurisdiction or alternative adjudication forum, unless it is determined in accordance with Section 3(c) hereof that RP Financial is not entitled to indemnity hereunder. If the Bank does not so elect to contest a claim for indemnification by RP Financial hereunder, RP Financial shall (subject to the Bank's receipt of the written statement and undertaking under Section 3(c) hereof) be paid promptly and in any event within thirty days after receipt by the Bank of detailed billing statements or invoices for which RP Financial is entitled to reimbursement under Section 3(c) hereof.

(c) Subject to the Bank's right to contest under Section 3(b) hereof, the Bank shall pay for or reimburse the reasonable expenses, including reasonable attorneys' fees, incurred by RP Financial in advance of the final disposition of any proceeding within thirty days of the receipt of such request if RP Financial furnishes the Bank: (1) a written statement of RP Financial's good faith belief that it is entitled to indemnification hereunder; (2) a written undertaking to repay the advance if it ultimately is determined in a final, non-appealable adjudication of such proceeding that it or he is not entitled to such indemnification; and (3) a detailed invoice of the expenses for which reimbursement is sought.

(d) In the event the Bank does not pay any indemnified loss or make advance reimbursements of expenses in accordance with the terms of this agreement, RP Financial shall have all remedies available at law or in equity to enforce such obligation.

This agreement constitutes the entire understanding of the Bank and RP Financial concerning the subject matter addressed herein, and such contract shall be governed and construed in accordance with the State of New York. This agreement may not be modified, supplemented or amended except by written agreement executed by both parties.

The Bank and RP Financial are not affiliated, and neither the Bank nor RP Financial has an economic interest in, or is held in common with, the other and has not derived a significant portion of its gross revenues, receipts or net income for any period from transactions with the other. RP Financial represents and warrants that it is not aware of any fact or circumstance that would cause it not to be "independent" within the meaning of the conversion regulations of the federal banking agencies or otherwise prohibit or restrict in anyway RP Financial from serving in the role of independent appraiser for the Bank.

Please acknowledge your agreement to the foregoing by signing as indicated below and returning to RP Financial a signed copy of this letter, together with the engagement fee of \$15,000.

Sincerely,



Ronald S. Riggins
President and Managing Director

Agreed To and Accepted By: Carlos P. Naudon _____
President and Chief Operating Officer

Upon Authorization by the Board of Directors For: Ponce De Leon Federal Bank
Bronx, New York

Date Executed: _____



April 7, 2017

Board of Directors
 Ponce Bank Mutual Holding Company
 PDL Community Bancorp
 Ponce De Leon Federal Bank
 2244 Westchester Avenue
 Bronx, New York 10462

Re: Plan of Reorganization and Stock Issuance Plan
 Ponce Bank Mutual Holding Company
 PDL Community Bancorp
Ponce De Leon Federal Bank

Members of the Board of Directors:

All capitalized terms not otherwise defined in this letter have the meanings given such terms in the Plan of Reorganization and Stock Issuance Plan (the "Reorganization") adopted by the Board of Directors of Ponce De Leon Federal Bank, a federally chartered mutual savings association (the "Bank"). The Reorganization provides for the reorganization of the Bank into a mutual holding company form of organization with a mid-tier holding company, PDL Community Bancorp, a federal corporation (the "Company"), and the offer for sale a minority of the Company's common stock. Pursuant to the Reorganization, when the stock offering is completed purchasers in the stock and shares contributed to the Foundation will own up to 49.9% of the common stock and Ponce Bank Mutual Holding Company will own the remaining majority of the Company's outstanding shares of common stock.

We understand that in accordance with the Reorganization, subscription rights to purchase shares of common stock in the Company are to be issued to: (1) Eligible Account Holders; (2) Tax-Qualified Plans including the Bank's employee stock ownership plan (the "ESOP"); (3) Supplemental Eligible Account Holders; and (4) Other Members. Based solely upon our observation that the subscription rights will be available to such parties without cost, will be legally non-transferable and of short duration, and will afford such parties the right only to purchase shares of common stock at the same price as will be paid by members of the general public in the community and syndicated community offerings but without undertaking any independent investigation of state or federal law or the position of the Internal Revenue Service with respect to this issue, we are of the belief that, as an ascertainable factual matter:

- (1) the subscription rights will have no market value; and,
- (2) the price at which the subscription rights are exercisable will not be more or less than the pro forma market value of the shares upon issuance.

Changes in the local and national economy, the legislative and regulatory environment, the stock market, interest rates, and other external forces (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability and may materially impact the value of thrift stocks as a whole or the Company's value alone. Accordingly, no assurance can be given that persons who subscribe to shares of common stock in the subscription offering will thereafter be able to buy or sell such shares at the same price paid in the subscription offering.

Sincerely,

RP Financial, LC.

RP Financial, LC.

Washington Headquarters
 Three Ballston Plaza
 1100 North Glebe Road, Suite 600
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 E-Mail: mail@rpfinancial.com

**PRO FORMA VALUATION REPORT
MUTUAL HOLDING COMPANY
STOCK OFFERING**

PDL Community Bancorp | Bronx, New York
PROPOSED HOLDING COMPANY FOR:
Ponce De Leon Federal Bank | Bronx, New York
Dated as of February 24, 2017



1100 North Glebe Road Suite 600
Arlington, Virginia 22201
703.528.1700
rpfinancial.com

February 24, 2017

Board of Directors
Ponce Bank Mutual Holding Company
PDL Community Bancorp
Ponce De Leon Federal Bank
2244 Westchester Avenue
Bronx, New York 10462

Members of the Board of Directors:

At your request, we have completed and hereby provide an independent appraisal (“Appraisal”) of the estimated pro forma market value of the common stock which is to be issued in connection with the stock issuance transaction described below.

This Appraisal is furnished pursuant to the requirements stipulated in the Code of Federal Regulations and has been prepared in accordance with the “Guidelines for Appraisal Reports for the Valuation of Savings and Loan Associations Converting from Mutual to Stock Form of Organization” (the “Valuation Guidelines”) of the Office of Thrift Supervision (“OTS”) and accepted by the Federal Reserve Board (“FRB”), the Office of the Comptroller of the Currency (“OCC”) and the Federal Deposit Insurance Corporation (“FDIC”), and applicable regulatory interpretations thereof.

Description of Plan of Reorganization and Stock Offering

On November 17, 2016, the Board of Directors of Ponce De Leon Federal Bank adopted a plan of reorganization (the “Reorganization”) pursuant to which Ponce De Leon Federal Bank will reorganize into a two-tier mutual holding company structure. After the Reorganization, PDL Community Bancorp (the “Company”), a federal corporation, will be the mid-tier stock holding company and Ponce Bank Mutual Holding Company (the “MHC”), a federally chartered mutual holding company, will be the top-tier mutual holding company. The Reorganization will be completed as follows:

- (i) Ponce De Leon Federal Bank will organize an interim stock savings association as a wholly owned subsidiary (“Interim Bank”);
- (ii) After Interim Bank receives approval from the FDIC for insurance of accounts and the FDIC has issued it a certificate number, Ponce De Leon Federal Bank will transfer pursuant to a purchase and assumption agreement all of its assets and liabilities, except \$200,000 in cash, to Interim Bank, and Interim Bank will become the stock savings association resulting from the reorganization, including the purchase and assumption transaction pursuant to the plan (the “Stock Bank”);
- (iii) Ponce De Leon Federal Bank will amend its charter and bylaws to read in the form of a federal mutual holding company to become Ponce Bank Mutual Holding Company;

Washington Headquarters

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- (iv) Ponce Bank Mutual Holding Company will organize PDL Community Bancorp as a wholly-owned subsidiary, and transfer \$1,000 to PDL Community Bancorp in exchange for 100 shares of PDL Community Bancorp common stock; and
- (v) Ponce Bank Mutual Holding Company will transfer all of the initially issued stock of the Stock Bank to PDL Community Bancorp in exchange for additional shares of PDL Community Bancorp common stock, and the Stock Bank will become a wholly-owned subsidiary of PDL Community Bancorp, operating under the name Ponce Bank.

For purposes of this document, Ponce De Leon Federal Bank will hereinafter be referred to as Ponce Bank or the "Bank".

Concurrent with the Reorganization, PDL Community Bancorp will issue a majority of its common stock to the MHC and sell a minority of its common stock to the public. At the completion of the public stock offering, the Company will retain up to 50% of the net stock proceeds. The MHC will own a controlling interest in the Company of at least 51%, and the Company will be the sole subsidiary of the MHC. The Company will own 100% of the Bank's outstanding stock. The Company's initial activity will be ownership of its subsidiary, Ponce Bank, investment of the net cash proceeds retained at the holding company level and extending a loan to the employee stock ownership plan.

PDL Community Bancorp will offer its common stock in a subscription offering to Eligible Account Holders, Tax-Qualified Plans including Ponce Bank's employee stock ownership plan (the "ESOP"), Supplemental Eligible Account Holders and Other Members as such terms are defined for purposes of applicable regulatory guidelines governing stock offerings by mutual institutions. To the extent that shares remain available for purchase after satisfaction of all subscriptions received in the subscription offering, the shares may be offered for sale to members of the general public in a community offering and a syndicated community offering. At least 50% of the net proceeds from the stock offering will be invested in Ponce Bank and the balance of the net proceeds will be retained by the Company.

At this time, no other activities are contemplated for the Company other than the ownership of Ponce Bank, a loan to the newly-formed ESOP and reinvestment of the proceeds that are retained by the Company. In the future, PDL Community Bancorp may acquire or organize other operating subsidiaries, diversify into other banking-related activities, pay dividends or repurchase its stock, although there are no specific plans to undertake such activities at the present time.

The Reorganization provides for the establishment of a new charitable foundation (the "Foundation"). The Foundation contribution will be funded with 3.3% of the number of shares of common stock issued in the stock issuance and \$200,000 of cash funded by the net proceeds retained by the Company. The purpose of the Foundation is to provide financial support to charitable organizations in the communities in which Ponce Bank operates and to enable those communities to share in the Bank's long-term growth. The Foundation will be dedicated completely to community activities and the promotion of charitable causes.

RP® Financial, LC.

RP® Financial, LC. (“RP Financial”) is a financial consulting firm serving the financial services industry nationwide that, among other things, specializes in financial valuations and analyses of business enterprises and securities, including the pro forma valuation for savings institutions converting from mutual-to-stock form. The background and experience of RP Financial is detailed in Exhibit V-1. We believe that, except for the fee we will receive for the Appraisal, we are independent of the Company, the Bank, the MHC and the other parties engaged by the Bank, the Company or the MHC to assist in the stock conversion process.

Valuation Methodology

In preparing our Appraisal, we have reviewed the regulatory applications of the Company, the Bank and the MHC, including the prospectus as filed with the FRB, the OCC and the Securities and Exchange Commission (“SEC”). We have conducted a financial analysis of the Company, the Bank and the MHC that has included a review of audited financial information for the years ended December 31, 2012 through December 31, 2016, a review of various unaudited information and internal financial reports through December 31, 2016, and due diligence related discussions with the Bank’s management; WeiserMazars LLP, the Bank’s independent auditor; Locke Lord LLP, the Bank’s counsel for the Reorganization and Raymond James Associates, Inc., the Bank’s marketing advisor in connection with the stock offering. All assumptions and conclusions set forth in the Appraisal were reached independently from such discussions. In addition, where appropriate, we have considered information based on other available published sources that we believe are reliable. While we believe the information and data gathered from all these sources are reliable, we cannot guarantee the accuracy and completeness of such information.

We have investigated the competitive environment within which Ponce Bank operates and have assessed Ponce Bank’s relative strengths and weaknesses. We have kept abreast of the changing regulatory and legislative environment for financial institutions and analyzed the potential impact on Ponce Bank and the industry as a whole. We have analyzed the potential effects of the stock offering on Ponce Bank’s operating characteristics and financial performance as they relate to the pro forma market value of PDL Community Bancorp. We have reviewed the economic and demographic characteristics of the Bank’s primary market area. We have compared Ponce Bank’s financial performance and condition with selected publicly-traded thrifts in accordance with the Valuation Guidelines, as well as all publicly-traded thrifts and thrift holding companies. We have reviewed the current conditions in the securities markets in general and the market for thrift stocks in particular, including the market for existing thrift issues and initial public offerings by thrifts and thrift holding companies. We have excluded from such analyses thrifts subject to announced or rumored acquisition, and/or institutions that exhibit other unusual characteristics.

The Appraisal is based on Ponce Bank’s representation that the information contained in the regulatory applications and additional information furnished to us by Ponce Bank and its independent auditor, legal counsel and other authorized agents are truthful, accurate and complete. We did not independently verify the financial statements and other information provided by Ponce Bank, or its independent auditor, legal counsel and other authorized agents nor did we independently value the assets or liabilities of Ponce Bank. The valuation considers Ponce Bank only as a going concern and should not be considered as an indication of Ponce Bank’s liquidation value.

Our appraised value is predicated on a continuation of the current operating environment for Ponce Bank and for all thrifts and their holding companies. Changes in the local, state and national economy, the legislative and regulatory environment for financial institutions and mutual holding companies, the stock market, interest rates, and other external forces (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability and may materially impact the value of thrift stocks as a whole or the value of Ponce Bank's stock alone. It is our understanding that there are no current plans for selling control of Ponce Bank following completion of the stock offering. To the extent that such factors can be foreseen, they have been factored into our analysis.

The estimated pro forma market value is defined as the price at which PDL Community Bancorp's common stock, immediately upon completion of the stock offering, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.

Valuation Conclusion

It is our opinion that, as of February 24, 2017, the estimated aggregate pro forma market value of the shares to be issued immediately following the offering, both shares issued publicly as well as to the MHC, was \$139,607,030 at the midpoint, equal to 13,960,703 shares issued at a per share value of \$10.00. Pursuant to conversion guidelines, the 15% offering range indicates a minimum value of \$118,665,980 and a maximum value of \$160,548,080. Based on the \$10.00 per share offering price determined by the Board, this valuation range equates to total shares outstanding of 11,866,598 shares at the minimum of the valuation range and 16,054,808 total shares outstanding at the maximum of the valuation range. In the event that the appraised value is subject to an increase, the aggregate pro forma market value may be increased up to a super maximum value of \$184,630,290 without a resolicitation. Based on the \$10.00 per share offering price, the super maximum value would result in total shares outstanding of 18,463,029. The Board of Directors has established a public offering range such that the public ownership of the Company will constitute a 45.0% ownership interest of the Company prior to the issuance of the shares to the Foundation. Accordingly, the offering range to the public of the minority stock will be \$53,399,690 at the minimum, \$62,823,160 at the midpoint, \$72,246,630 at the maximum and \$83,083,620 at the super maximum. Based on the public offering range, and inclusive of the shares issued to the Foundation, the public ownership of the shares will represent 48.3% of the shares issued, with the MHC owning the majority of the shares.

Limiting Factors and Considerations

The valuation is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing shares of the common stock. Moreover, because such valuation is determined in accordance with applicable regulatory guidelines and is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common

stock in the stock offering will thereafter be able to buy or sell such shares at prices related to the foregoing valuation of the estimated pro forma market value thereof. The appraisal reflects only a valuation range as of this date for the pro forma market value of PDL Community Bancorp immediately upon issuance of the stock and does not take into account any trading activity with respect to the purchase and sale of common stock in the secondary market on the date of issuance of such securities or at anytime thereafter following the completion of the stock offering.

RP Financial's valuation was based on the financial condition and operations of Ponce Bank as of December 31, 2016, the date of the financial data included in the prospectus.

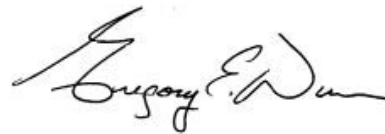
RP Financial is not a seller of securities within the meaning of any federal and state securities laws and any report prepared by RP Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities. RP Financial maintains a policy which prohibits RP Financial, its principals or employees from purchasing stock of its client institutions.

This valuation will be updated as provided for in the conversion regulations and guidelines. These updates will consider, among other things, any developments or changes in the financial performance and condition of Ponce Bank, management policies, and current conditions in the equity markets for thrift shares, both existing issues and new issues. These updates may also consider changes in other external factors which impact value including, but not limited to: various changes in the legislative and regulatory environment for financial institutions, the stock market and the market for thrift stocks, and interest rates. Should any such new developments or changes be material, in our opinion, to the valuation of the shares, appropriate adjustments to the estimated pro forma market value will be made. The reasons for any such adjustments will be explained in the update at the date of the release of the update. The valuation will also be updated at the completion of PDL Community Bancorp's stock offering.

Respectfully submitted,
RP® FINANCIAL, LC.



Ronald S. Riggins
Managing Director



Gregory E. Dunn
Director

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I. OVERVIEW AND FINANCIAL ANALYSIS

Introduction

Ponce De Leon Federal Bank, established in 1960, is a federally-chartered mutual savings association headquartered in Bronx, New York. The Bank serves the New York metropolitan area through its headquarters office and 13 full service branch offices. A map of the Bank's office locations is provided in Exhibit I-1. Ponce Bank is a member of the Federal Home Loan Bank ("FHLB") system and its deposits are insured up to the maximum allowable amount by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2016, Ponce Bank had total assets of \$745.0 million, total deposits of \$643.1 million and total equity of \$93.0 million equal to 12.48% of total assets. The Bank's audited financial statements are included by reference as Exhibit I-2.

Plan of Reorganization and Stock Offering

On November 17, 2016, the Board of Directors of Ponce De Leon Federal Bank adopted a plan of reorganization (the "Reorganization") pursuant to which Ponce De Leon Federal Bank will reorganize into a two-tier mutual holding company structure. After the Reorganization, PDL Community Bancorp (the "Company"), a federal corporation, will be the mid-tier stock holding company and Ponce Bank Mutual Holding Company (the "MHC"), a federally chartered mutual holding company, will be the top-tier mutual holding company. The Reorganization will be completed as follows:

- (i) Ponce De Leon Federal Bank will organize an interim stock savings association as a wholly owned subsidiary ("Interim Bank");
- (ii) After Interim Bank receives approval from the FDIC for insurance of accounts and the FDIC has issued it a certificate number, Ponce De Leon Federal Bank will transfer pursuant to a purchase and assumption agreement all of its assets and liabilities, except \$200,000 in cash, to Interim Bank, and Interim Bank will become the stock savings association resulting from the reorganization, including the purchase and assumption transaction pursuant to the plan (the "Stock Bank");
- (iii) Ponce De Leon Federal Bank will amend its charter and bylaws to read in the form of a federal mutual holding company to become Ponce Bank Mutual Holding Company;
- (iv) Ponce Bank Mutual Holding Company will organize PDL Community Bancorp as a wholly-owned subsidiary, and transfer \$1,000 to PDL Community Bancorp in exchange for 100 shares of PDL Community Bancorp common stock; and

- (v) Ponce Bank Mutual Holding Company will transfer all of the initially issued stock of the Stock Bank to PDL Community Bancorp in exchange for additional shares of PDL Community Bancorp common stock, and the Stock Bank will become a wholly-owned subsidiary of PDL Community Bancorp, operating under the name Ponce Bank.

For purposes of this document, Ponce De Leon Federal Bank will hereinafter be referred to as Ponce Bank or the “Bank”.

Concurrent with the Reorganization, PDL Community Bancorp will issue a majority of its common stock to the MHC and sell a minority of its common stock to the public. At the completion of the public stock offering, the Company will retain up to 50% of the net stock proceeds. The MHC will own a controlling interest in the Company of at least 51%, and the Company will be the sole subsidiary of the MHC. The Company will own 100% of the Bank’s outstanding stock. The Company’s initial activity will be ownership of its subsidiary, Ponce Bank, investment of the net cash proceeds retained at the holding company level and extending a loan to the employee stock ownership plan.

PDL Community Bancorp will offer its common stock in a subscription offering to Eligible Account Holders, Tax-Qualified Plans including Ponce Bank’s employee stock ownership plan (the “ESOP”), Supplemental Eligible Account Holders and Other Members as such terms are defined for purposes of applicable regulatory guidelines governing stock offerings by mutual institutions. To the extent that shares remain available for purchase after satisfaction of all subscriptions received in the subscription offering, the shares may be offered for sale to members of the general public in a community offering and a syndicated community offering. At least 50% of the net proceeds from the stock offering will be invested in Ponce Bank and the balance of the net proceeds will be retained by the Company.

At this time, no other activities are contemplated for the Company other than the ownership of Ponce Bank, a loan to the newly-formed ESOP and reinvestment of the proceeds that are retained by the Company. In the future, PDL Community Bancorp may acquire or organize other operating subsidiaries, diversify into other banking-related activities, pay dividends or repurchase its stock, although there are no specific plans to undertake such activities at the present time.

The Reorganization provides for the establishment of a new charitable foundation (the “Foundation”). The Foundation contribution will be funded with 3.3% of the number of shares of common stock issued in the stock issuance and \$200,000 of cash funded by the net proceeds retained by the Company. The purpose of the Foundation is to provide financial support to charitable organizations in the communities in which Ponce Bank operates and to enable those communities to share in the Bank’s long-term growth. The Foundation will be dedicated completely to community activities and the promotion of charitable causes.

Strategic Overview

Ponce Bank maintains a local community banking emphasis, with a primary strategic objective of meeting the borrowing and savings needs of its local customer base. Historically, as a traditional thrift institution, the Bank's lending activities were concentrated in origination of 1-4 family permanent mortgage loans and such loans continue to comprise the largest concentration of the loan portfolio. In recent years, the Bank embarked on a new strategic direction designed to build a full service community banking franchise dedicated to meeting the banking needs of business and retail customers in the communities that are served by the Bank. In connection with the implementation of a full service community banking strategy, the Bank invested in infrastructure and personnel to manage and facilitate growth strategies. Most notably, in support of implementation of a diversified lending strategy, the Bank has been building a team of commercial lenders experienced in developing full service commercial banking relationships in the local market. The Bank's objective is to fund asset growth primarily through deposit growth, emphasizing growth of lower cost core deposits. Core deposit growth is expected to be in part facilitated by growth of commercial lending relationships, pursuant to which the Bank is seeking to establish a full service banking relationship with its commercial loan customers through offering a full range of commercial loan products that can be packaged with lower cost commercial deposit products.

Investments serve as a supplement to the Bank's lending activities and the investment portfolio is considered to be indicative of a low risk investment philosophy. U.S. Government and federal agency securities constitute the largest portion of the Bank's investment portfolio, with other investments consisting of mortgage-backed securities that are guaranteed or insured by government sponsored enterprises ("GSEs") or backed by Ginnie Mae and certificates of deposit ("CDs") held in other financial institutions.

Deposits have consistently served as the primary funding source for the Bank, with supplemental funding provided by utilization of borrowings as an alternative funding source for purposes of managing funding costs and interest rate risk. CDs constitute the largest portion of the Bank's deposit base. Borrowings currently held by the Bank consist of FHLB advances.

Ponce Bank's earnings base is largely dependent upon net interest income and operating expense levels. The Bank has experienced some net interest margin compression during the past two years, which has been primarily attributable to a more significant decline in interest-earning assets yields as interest-bearing funding costs have been relatively stable in recent years. Operating expense ratios have trended higher in recent years, primarily in connection with building out the Bank's commercial lending platform. Non-interest operating income has been a fairly stable but limited contributor to the Bank's earnings, reflecting limiting diversification into fee-based products and services. The amount of loan loss provisions established has decreased significantly in recent years, which was facilitated by improving trends in the Bank's credit quality.

The post-offering business plan of the Bank is expected to continue to focus on implementing strategic initiatives to develop and grow a full service community banking franchise. Accordingly, Ponce Bank will continue to be an independent full service community bank, with a commitment to meeting the retail and commercial banking needs of individuals and businesses in the New York metropolitan area.

The Bank's Board of Directors has elected to complete a public stock offering to sustain growth strategies and facilitate implementation of its strategic plan. The capital realized from the stock offering will increase the Bank's operating flexibility and allow for additional growth of the balance sheet. The additional funds realized from the stock offering will provide an alternative funding source to deposits and borrowings in meeting the Bank's future funding needs, which may facilitate a reduction in Ponce Bank's funding costs. Additionally, Ponce Bank's higher equity-to-assets ratio will enable the Bank to pursue expansion opportunities. Such expansion would most likely occur through the acquisition of other financial institutions or financial service companies that would increase market penetration in the markets currently served by the Bank or to gain a market presence into nearby complementary markets. At this time, the Bank has no specific plans for expansion. The projected uses of proceeds are highlighted below.

- The Company. The Company is expected to retain up to 50% of the net offering proceeds. At present, funds at the Company level, net of the loan to the ESOP and the cash contribution to the Foundation, are expected to be primarily invested initially into liquid funds held as a deposit at the Bank. Over time, the funds may be utilized for various corporate purposes, possibly including acquisitions, infusing additional equity into the Bank, repurchases of common stock and the payment of cash dividends.

- The Bank. Approximately 50% of the net conversion proceeds will be infused into the Bank. Cash proceeds (i.e., net proceeds less deposits withdrawn to fund stock purchases) infused into the Bank are anticipated to become part of general operating funds and are expected to be primarily utilized to fund loan growth over time.

Overall, it is the Bank's objective to pursue controlled growth that will serve to increase returns, while continuing to emphasize management of the overall risk associated with Ponce Bank's operations.

Balance Sheet Trends

Table 1.1 shows the Bank's historical balance sheet data for the past five years. From yearend 2012 through yearend 2016, Ponce Bank's assets decreased at a 0.55% annual rate. Total assets trended lower from yearend 2012 through yearend 2015, which was followed by a healthy increase in assets during 2016. Both loans and cash and investments declined during the period of asset shrinkage, while asset growth during 2016 was sustained by loan growth. Asset shrinkage and borrowings funded deposit run-off from yearend 2012 through yearend 2015, while deposit growth in 2016 funded asset growth and the pay down of borrowings. A summary of Ponce Bank's key operating ratios for the past five years is presented in Exhibit I-3.

Ponce Bank's loans receivable portfolio increased at a 2.37% annual rate from yearend 2012 through yearend 2016, in which the loans receivable balance declined from yearend 2012 through yearend 2014 and then increased during the past two years. The most significant loan growth was realized during 2016, which was primarily attributable to growth of multi-family loans. Loan growth combined with asset shrinkage provided for an increase in the loans-to-assets ratio from 76.77% at yearend 2012 to 86.20% at yearend 2016.

Trends in the Bank's loan portfolio composition since yearend 2012 show that the concentration of 1-4 family mortgage loans comprising total loans decreased from 52.67% of total loans receivable at yearend 2012 to 49.88% of total loans receivable at yearend 2016. Commercial real estate loans also decreased from 19.45% of total loans receivable at yearend 2012 to 18.64% of total loans receivable at yearend 2016 and construction and land loans decreased from 5.00% of total loans receivable to 4.66% of total loans receivable. Comparatively, from yearend 2012 through yearend 2016, multi-family increased from 18.16% of total loans receivable to 24.28% of total loans receivable. Over the same time period, the relative concentration of commercial business loans decreased from 4.47% of total loans

receivable to 2.41% of total loans receivable, while the Bank's holdings of consumer loans was nominal throughout the five year period. Additionally, loans held for sale, fluctuated from a zero balance at yearend 2012 to a high of \$5.7 million at yearend 2013 and equaled \$2.1 million or 0.29% of assets at yearend 2016.

The intent of the Bank's investment policy is to provide adequate liquidity and to generate a favorable return within the context of supporting Ponce Bank's overall credit and interest rate risk objectives. It is anticipated that proceeds retained at the holding company level will be invested into liquid funds held as a deposit at the Bank. Since yearend 2012, the Bank's level of cash and investment securities (inclusive of FHLB stock) ranged from a low of 8.77% of assets at yearend 2016 to a high of 17.20% of assets at yearend 2012. The decrease in the balance of cash and investments since yearend 2012 was largely related to redeployment of those funds for purposes of funding loan growth during 2015 and 2016. U.S. Government and federal agency securities totaling \$41.6 million comprised the most significant component of the Bank's investment portfolio at December 31, 2016. Other investments held by the Bank at December 31, 2016 consisted of mortgage-backed securities (\$10.6 million) and CDs (\$500,000). As of December 31, 2016, all investments were maintained as available for sale and reflected a net unrealized loss of \$253,000. Exhibit I-4 provides historical detail of the Bank's investment portfolio. As of December 31, 2016, the Bank also held \$11.7 million of cash and cash equivalents and \$964,000 of FHLB stock.

Since yearend 2012, Ponce Bank's funding needs have been addressed through a combination of deposits, borrowings and internal cash flows. From yearend 2012 through yearend 2016, the Bank's deposits decreased at a 0.90% annual rate. Deposits declined from yearend 2012 through yearend 2015, which was followed by deposit growth during 2016. Overall, deposits as a percent of assets remained fairly stable over the past five year, equaling 87.57% of assets at yearend 2012 and 86.32% of assets at yearend 2016. CDs account for the largest concentration of the Bank's deposits and comprised 59.54% of average deposits during 2016.

Borrowings serve as an alternative funding source for the Bank to address funding needs for growth and to support management of deposit costs and interest rate risk. From yearend 2012 through yearend 2016, borrowings ranged from a zero balance at yearend 2012 to high of \$11.0 million at yearend 2013. As of December 31, 2016, borrowings equaled \$3.0 million or 0.40% of assets and consisted of overnight FHLB advances.

The Bank's equity increased at a 1.93% annual rate from yearend 2012 through yearend 2016, which was largely related to retention of earnings. The increase in equity combined with asset shrinkage since yearend 2012 provided for an increase in the Bank's equity-to-assets ratio from 11.31% at yearend 2012 to 12.48% at yearend 2016. Similarly, the Bank's tangible equity-to-assets ratio increased from 11.24% at yearend 2012 to 12.48% at yearend 2016. The Bank maintained a nominal core deposit intangible balance at December 31, 2016. The Bank maintained capital surpluses relative to all of its regulatory capital requirements at December 31, 2016. The addition of stock proceeds will serve to strengthen the Bank's capital position, as well as support growth opportunities. At the same time, the increase in Ponce Bank's pro forma capital position will initially depress its ROE.

Income and Expense Trends

Table 1.2 shows the Bank's historical income statements for the past five years. The Bank's reported earnings ranged from a low of \$1.4 million or 0.20% of average assets during 2016 to a high of \$4.1 million or 0.53% of average assets during 2012. Net interest income and operating expenses represent the primary components of the Bank's recurring earnings, while non-operating income has been somewhat of a limited source of earnings for the Bank. Loan loss provisions have had a varied impact on the Bank's earnings over the past five years. Non-operating gains and losses have not been a factor on the Bank's earnings over the past five years.

During the period covered in Table 1.2, the Bank's net interest income to average assets ratio ranged from a low of 3.83% during 2016 to a high of 4.14% during 2014. The decline in the Bank's net interest income ratio since 2014 has been largely attributable to interest rate spread compression that has resulted from a more significant decrease in the yield earned on interest-earning assets relative to the cost of interest-bearing liabilities. As the result of the prolonged low interest rate environment, the decline in yield earned on less rate sensitive interest-earning assets has become more significant relative to the rate paid on more rate sensitive liabilities which had more significant downward repricing earlier in the prevailing interest rate environment. In fact, the Bank's cost of funds increased slightly during 2016. Partially offsetting decline in yield earned on interest-earning assets during the past two years has been a shift in the Bank's interest-earning asset composition towards a higher concentration

of loans, which earn higher yields relative to investments and short-term liquid funds. Overall, during the past three years, the Bank's interest rate spread ranged declined from a high of 4.26% during 2014 to a low of 3.82% during 2016. The Bank's net interest rate spreads and yields and costs for the past five years are set forth in Exhibit I-3 and Exhibit I-5.

Non-interest operating income has been somewhat of a limited contributor to the Bank's earnings over the past five years, reflecting the Bank's limited diversification into products and services that generate non-interest operating income. Revenues derived from non-interest income sources is also limited by the relatively high concentration of deposits maintained in CDs, as opposed to fee-based deposit products. Throughout the period shown in Table 1.2, sources of non-interest operating income ranged from a low of \$2.4 million or 0.34% of average assets during 2016 to a high of \$3.1 million or 0.42% of average assets during 2013. Fees and service charges and mortgage banking brokerage commissions constitute the major sources of the Bank's non-interest operating revenues.

Operating expenses represent the other major component of the Bank's earnings, ranging from a low of \$24.0 million or 3.11% of average assets during 2012 to a high of \$27.9 million or 3.84% of average assets during 2016. The increase in the Bank's operating expense ratio since 2012 reflects infrastructure that has been put into place to facilitate implementation of the Bank's strategic plan and, in particular, the additional resources that have been devoted to building the Bank's full service commercial lending platform.

Overall, during the past five years, the Bank's expense coverage ratios (net interest income divided by operating expenses) ranged from a low of 1.00x during 2016 to a high of 1.32x during 2012. Similarly, the Bank's efficiency ratio (operating expenses as a percent of the sum of net interest income and other operating income) reflected a downward trend in core earnings, based on efficiency ratios of 69.27% and 92.09% during 2012 and 2016, respectively.

During the period covered in Table 1.2, the amount of loan loss provisions established ranged from a reversal of loan loss provisions of \$57,000 or 0.01% of average assets during 2016 to a high of \$5.1 million or 0.67% of average assets during 2016. The reduction in loan loss provisions established was facilitated by improving credit quality trends, including decreases in the amount of net charge-offs recorded. As of December 31, 2016 the Bank maintained loan loss allowances of \$10.2 million, equal to 1.57% of total loans receivable and 132.15% of non-accruing loans. Exhibit I-6 sets forth the Bank's loan loss allowance activity for the past five years.

Over the past five years, the Bank's effective tax rate ranged from a low of 25.83% during 2012 to a high of 54.17% during fiscal year 2014 and equaled 41.36% during 2016. As set forth in the prospectus, the Bank's marginal effective tax rate is 34.0%.

Interest Rate Risk Management

The Bank's balance sheet is liability-sensitive in the short-term (less than one year) and, thus, the net interest margin will typically be adversely affected during periods of rising and higher interest rates. Comparatively, the Bank's net interest margin benefits from a declining interest rate environment. As interest rates have remained at or near historically low levels for an extended period of time, the Bank has experienced interest spread compression as the average yield earned on interest-earning assets has started to decline more relative to the average rate paid on interest-bearing liabilities. As of December 31, 2016, an analysis of the Bank's Net Economic Value ("NEV") and net interest income indicated that in the event of an instantaneous parallel 200 basis point increase in interest rates NEV would decrease by 9.91% and net interest income would decrease by 4.60% in year one (see Exhibit I-7).

The Bank pursues a number of strategies to manage interest rate risk, particularly with respect to seeking to limit the repricing mismatch between interest rate sensitive assets and liabilities. The Bank manages interest rate risk from the asset side of the balance sheet through investing in investment securities with adjustable interest rates, maintaining the investment portfolio as available for sale and emphasizing origination of adjustable rate and shorter term fixed rate loans, for retention in the Bank's loan portfolio. As of December 31, 2016, of the Bank's total loans due after December 31, 2017, adjustable rate loans comprised 79.02% of total loans receivable (see Exhibit I-8). On the liability side of the balance sheet, management of interest rate risk has been pursued through emphasizing growth of lower costing and less interest rate sensitive transaction and savings accounts and seeking to extend CD maturities through offering attractive rates on certain longer term CDs. Transaction and savings account deposits comprised 40.46% of the Bank's average total deposits during 2016.

The infusion of stock proceeds will serve to further limit the Bank's interest rate risk exposure, as most of the net proceeds will be redeployed into interest-earning assets and the increase in the Bank's capital position will lessen the proportion of interest rate sensitive liabilities funding assets.

Lending Activities and Strategy

Historically, Ponce Bank's lending activities have emphasized 1-4 family permanent mortgage loans and such loans continue to comprise the largest concentration of the Bank's loan portfolio composition. Pursuant to the Bank's strategic plan, the Bank is pursuing a diversified lending strategy emphasizing commercial real estate/multi-family loans and commercial business loans as the primary areas of targeted loan growth. Other areas of lending diversification for the Bank include construction and land loans, home equity loans and lines of credit and other consumer loans. Exhibit I-9 provides historical detail of Ponce Bank's loan portfolio composition for the past five years and Exhibit I-10 provides the contractual maturity of the Bank's loan portfolio by loan type as of December 31, 2016.

1-4 Family Residential Loans. As a portfolio only lender, Ponce Bank presently only offers adjustable rate 1-4 family permanent mortgage loans. The Bank generally limits owner-occupied 1-4 family loans to loan-to-value ("LTV") ratio of 80% and investor owned 1-4 family loans to a LTV ratio of 70% on purchases and 65% on refinances. A minimum debt-coverage ratio of 1.2 times is required for investor owned 1-4 family loans. Adjustable rate loans offered by the Bank generally have repricing terms of one or five years and are indexed to the comparable term Treasury note. As of December 31, 2016, the Bank's outstanding balance of 1-4 family loans equaled \$325.0 million or 49.88% of total loans receivable and consisted of \$227.4 million of investor owned loans and \$97.6 million of owner occupied loans.

Home Equity Loans and Lines of Credit. Included in the Bank's 1-4 family loan portfolio are home equity loans and lines of credit, which totaled \$9.4 million at December 31, 2016. Home equity loans are originated with comparable terms as 1-4 family permanent mortgage loans. Home equity lines of credit are tied to the prime rate as published in *The Wall Street Journal* and are offered for terms of up to a five year draw period followed by a 25 year repayment period. The Bank will originate home equity loans and lines of credit up to a maximum LTV ratio of 75%, inclusive of other liens on the property.

Construction Loans. Construction loans originated by the Bank consist primarily of loans to finance the construction of multi-family properties and, to a lesser extent, to finance the construction of commercial properties and 1-4 family residences. Construction loans are generally offered as fixed rate interest only loans during the construction period, which is typically up to 24 months. Construction loans are generally offered up to a maximum LTV ratio of 70% of the appraised value of the completed property. The Bank's 1-4 family construction lending activities consist of originations to professional developers, contractors and builders, and individuals. As of December 31, 2016, the Bank's outstanding balance of construction loans equaled \$30.3 million or 4.66% of total loans receivable.

Commercial Real Estate and Multi-Family Loans. Commercial real estate and multi-family loans consist largely of loans originated by the Bank, which are collateralized by properties in the Bank's regional lending area. Ponce Bank generally originates commercial real estate and multi-family loans up to a LTV ratio of 75% and generally requires a minimum debt-coverage ratio of 1.3 times. Commercial real estate and multi-family loans are originated with amortization terms of up to 30 years. Loan terms offered on commercial real estate and multi-family loans generally consist of adjustable rate loans, which are indexed to the corresponding FHLB advance rate of the repricing term. Properties securing the commercial real estate and multi-family loan portfolio include office buildings, industrial and warehouse facilities, retail and wholesale facilities, apartments, churches, restaurants, hotels and motels and service facilities (doctor, dentist, beauty, etc.). As of December 31, 2016, the Bank's outstanding balance of commercial real estate and multi-family loans totaled \$279.7 million equal to 42.92% of total loans outstanding and included \$158.2 million of multi-family loans.

Commercial Business Loans. The commercial business loan portfolio is generated through extending loans to businesses operating in the local market area. Expansion of commercial business lending activities is a desired area of loan growth for the Bank, pursuant to which the Bank is seeking to become a full service community bank to its commercial loan customers through offering a full range of commercial loan products that can be packaged with lower cost commercial deposit products. Commercial business loans offered by the Bank consist of lines of credit and term loans, with terms of generally no more than seven years. Commercial business loans are typically indexed to *The Wall Street Journal* prime rate. The commercial business loan portfolio consists substantially of loans secured by business assets such as accounts receivable, inventory, equipment and real estate. As of December 31, 2016, the Bank's outstanding balance of commercial business loans equaled \$15.7 million or 2.41% of total loans receivable.

Consumer Loans. Consumer lending other than home equity lines of credit has been a limited area of lending diversification for the Bank, with such loans consisting of installment loans and loans secured by savings accounts or CDs. As of December 31, 2016, the Bank held \$843,000 of consumer loans or 0.13% of total loans receivable.

Exhibit I-11 provides a summary of the Bank's lending activities over the past five years. Total loans originated ranged from a low of \$76.9 million during 2012 to a high of \$162.8 million during 2016. The increase in loans originated was primarily driven by increased originations of 1-4 family loans, multi-family loans and commercial real estate loans. The Bank was not active in purchasing or selling loans over the past five years, with the exception of selling \$838,000 of multi-family loans during 2014. Following three years of decline from 2012 through 2014, the Bank's net loan activity showed increases of \$24.4 million in 2015 and \$75.0 million in 2016.

Asset Quality

Historically, the Bank's lending emphasis on lending in local and familiar markets generally supported maintenance of relatively favorable credit quality measures. However, following the national recession and bursting of the housing bubble in 2008, the Bank experienced elevated levels of problems assets. In recent years, the Bank has taken proactive measures to address credit quality deterioration and significantly reduce the balance of non-performing balance assets from peak levels. Over the past five years, Ponce Bank's balance of non-performing assets ranged from a high of \$60.8 million or 7.99% of assets at yearend 2012 to a low of \$7.7 million or 1.04% of assets at yearend 2016. As shown in Exhibit I-12, non-performing assets at December 31, 2016 consisted of \$7.7 million of non-accruing loans. Non-accruing loans held by the Bank at December 31, 2016 were primarily concentrated in 1-4 family permanent mortgage loans totaling \$4.2 million.

To track the Bank's asset quality and the adequacy of valuation allowances, the Bank has established detailed asset classification policies and procedures which are consistent with regulatory guidelines. Classified assets are reviewed monthly by senior management and quarterly by the Board. Pursuant to these procedures, when needed, the Bank establishes additional valuation allowances to cover anticipated losses in classified or non-classified assets. As of December 31, 2016, the Bank maintained loan loss allowances of \$10.2 million, equal to 1.57% of total loans receivable and 132.15% of non-performing loans.

Funding Composition and Strategy

Deposits have consistently served as the Bank's primary funding source and at December 31, 2016 deposits accounted for 99.54% of Ponce Bank's combined balance of deposits and borrowings. Exhibit I-13 sets forth the Bank's deposit composition for the past three years and Exhibit I-14 provides the interest rate and maturity composition of the CD portfolio at December 31, 2016. CDs constitute the largest component of the Bank's deposit composition; although, the concentration of CDs comprising total deposits has declined slightly during the past three years, as the result of growth of transaction and savings account deposits and a decrease in CDs. For 2016, the balance of CDs averaged \$371.3 million or 59.54% of average deposits, versus comparable measures of \$379.9 million and 62.07% of average deposits for 2014. CDs with scheduled maturities of one year or less comprised 45.82% of the Bank's CDs at December 31, 2016. As of December 31, 2016, jumbo CDs (CD accounts with balances of \$100,000 or more) amounted to \$233.5 million or 63.33% of total CDs. The Bank did not maintain any brokered deposit as of December 31, 2016.

Transaction and savings account deposits comprised 40.46% of average total deposits during 2016, as compared to 37.93% of average total deposits during 2014. Savings account deposits comprised the largest concentration of the Banks core deposits during 2016, averaging \$126.7 million or 50.21% of average core deposits.

Borrowings serve as an alternative funding source for the Bank to facilitate management of funding costs and interest rate risk Borrowings totaled \$3.0 million at December 31, 2016 and consisted entirely of FHLB advances on an overnight line of credit basis. At December 31, 2016, the FHLB advances had a weighted average interest rate of 078%. Exhibit I-15 provides further detail of the Bank's borrowings activities during the past three years.

Subsidiary Activities

Ponce Bank maintains two wholly-owned subsidiaries: PFS Service Corp, which owns two the Bank's properties, and Ponce de Leon Mortgage Corp., which is a mortgage banking entity.

Legal Proceedings

The Bank is not currently party to any pending legal proceedings that the Bank's management believes would have a material adverse effect on the Bank's financial condition, results of operations or cash flows.

II. MARKET AREA

Introduction

Headquartered in Bronx, New York, Ponce Bank serves the New York metropolitan area through its headquarters office and 13 full service branch offices. The Bank's branch network covers a four-county market area in New York: Bronx County (4 branches), Queens County (3 branches), Kings County (3 branches) and New York County (2 branches). Ponce Bank also maintains one branch location in Hudson County, New Jersey. Exhibit II-1 provides information on the Bank's office facilities.

With operations in a major metropolitan area, the Bank's competitive environment includes a significant number of commercial banks, thrifts and other financial services companies, some of which have a regional or national presence. These institutions also have greater resources at their disposal than the Bank. The New York metropolitan area has a highly developed economy, with a relatively high concentration of highly skilled workers who are employed in a number of different industry clusters including financial services, healthcare and technology.

Future growth opportunities for Ponce Bank depend on the future growth and stability of the local and regional economy, demographic growth trends, and the nature and intensity of the competitive environment. These factors have been briefly examined to help determine the growth potential that exists for the Bank, the relative economic health of the Bank's market area, and the resultant impact on value.

National Economic Factors

The future success of the Bank's operations is partially dependent upon various national and local economic trends. In assessing national economic trends over the past few quarters, manufacturing and service sector activity expanded at slightly lower rates in July 2016, with respective index readings of 52.6 and 55.5. The U.S. economy added a better-than-expected 255,000 jobs in July, while the July unemployment rate held steady at 4.9%. Retail sales for July showed little change compared to June. Housing starts were up 2.1% in July and July new home sales were up a solid 12.1% compared to June. However, July existing home sales fell 3.2%, suggesting that higher home prices were reducing housing demand. Durable-goods orders for July rose 4.4%, which was the largest monthly jump since October 2015. Readings

for manufacturing and service activity in August signaled a slowing U.S. economy, as August manufacturing activity contracted and August service sector activity expanded at a slower rate. Job growth also slowed in August, with a monthly gain of 151,000 jobs. The August unemployment rate remained at 4.9%. A 0.3% decline in August retail sales provided another indication of a slowing U.S. economy. Both new and existing home sales were also lower in August, while durable-goods orders were unchanged for August. Manufacturing activity for September rebounded with an index reading of 51.5. Likewise, service sector activity for September picked-up as well with an index reading of 57.1. Comparatively, September employment data was fairly stagnant, as employers added 156,000 jobs in September and the unemployment rate edged up to 5.0% as more people entered the labor force. Retail sales increased 0.4% in September, keeping the Federal Reserve on a path to raise interest rates in 2016. September data for housing showed a pick-up in home demand, as September existing and new home sales increased 3.2% and 3.1%, respectively. Pending home sales were also up 1.5% in September. Third quarter GDP growth provided another indication that the U.S. economy was gaining traction, as third quarter GDP increased at an annual rate of 2.9% (subsequently revised up to 3.5%).

Manufacturing activity picked up slightly in October 2016 with an index reading of 51.9. Comparatively, service sector activity for October expanded at a slower rate with an index reading of 54.8. Employers added 161,000 jobs in October and the unemployment rate for October ticked down to 4.9%, which was due to a decline in the number of people participating in the workforce. Notably, wage gains for October were the strongest since 2009 and, thereby, keeping the Federal Reserve on a pace for a December rate hike. Housing starts jumped 25.5% in October, while existing home sales for October climbed 2.0%. Comparatively, new home sales declined 1.9% in October and October pending home sales increased 0.1%. U.S. employers added 178,000 jobs in November and the November unemployment rate fell to a nine-year low of 4.6%. Manufacturing and service sector activity accelerated in November, with respective readings of 53.2 and 57.2. Following a strong October, housing starts declined 18.7% in November. However, existing home sales were up for the third straight month in November, increasing 0.7% which was the highest sales pace since February 2007. Sales of new homes for November showed a healthy increase of 5.2%, while November pending home sales declined 2.5%. Manufacturing activity for December rose to 54.7, hitting its highest level since December 2014, and December service sector activity held steady with a reading of 57.2. The U.S. economy added 156,000 jobs in December and the December unemployment rate

ticked up to 4.7%. The pace of home sales slowed in December, as existing home sales for sales decreased 2.8% compared to November. New home sales plunged 10.4% in December compared to the prior month, which was viewed as an indication that affordability challenges were beginning to cut into demand. However, December pending home sales increased 1.6% compared to November. Fourth quarter GDP increased at a 1.6% annual rate.

Job growth for the first month of 2017 was stronger than expected, as U.S. employers added 227,000 in January 2017. However, the January 2017 unemployment rate for the U.S. edged up to 4.8%, due to more Americans actively seeking employment. Manufacturing activity for January accelerated with a reading of 56.0, while January service sector activity grew at a slightly slower pace with a reading of 56.5. Retail sales for January showed a healthy 0.4% increase from December. Housing starts for January declined 2.6%, which was due to a drop in multi-family construction. Comparatively, January existing home sales increased 3.3%, in which existing home sales for January increased at the fastest pace since February 2007.

In terms of interest rates trends over the past few quarters, investors sold risky assets in favor of safe haven investments in early-July 2016, which drove the yield on the 10-year Treasury to a record low of 1.37%. Long-term Treasury yields rose going into mid-July, as investors moved back into riskier assets on the heels of the strong job growth reported for June. During the second half of July and into early-August, long-term Treasury yields remained fairly stable, as the Federal Reserve concluded its late-July policy meeting keeping its target interest rate unchanged as expected. Long-term Treasury yields remained fairly stable throughout August and into-early September. Going into the second half of September the 10-year Treasury yield edged higher ahead of the Federal Reserve's policy meeting. The Federal Reserve concluded its September meeting leaving interest rates unchanged, but signaled it expected to raise rates before the end of the year. Following the Federal Reserve meeting, the 10-year Treasury yield edged back below 1.60% in late-September.

Stronger readings for September manufacturing and service sector activity helped to push the 10-year Treasury yield above 1.70% in mid-October 2016. Long-term Treasury yields continued to edge higher going into late-October, as signs of inflation ticking up pushed the 10-year Treasury yield to its highest level in four months. The Federal Reserve concluded its early-November policy meeting leaving interest rates unchanged, but noted that inflation had increased somewhat and left the door open for a rate increase in December. Interest rates stabilized ahead of the Presidential election and then surged higher following the election,

based on expectations that there would be an increase in government spending and a pick-up in inflation under the Trump administration. The upward trend in long-term Treasury yields continued through the end of November and into December, in which the 10-year Treasury yield rose to a 17-month high of 2.44% on December 1, 2016. Treasury prices continued to slide lower through mid-December, as the Federal Reserve concluded its two-day policy meeting raising its target interest rate by 0.25% and signaled interest rates would rise faster than previously projected based on growing optimism about the strength of the U.S. economy. After hitting a mid-December high of 2.60%, the yield on the 10-year Treasury eased lower in the closing weeks of 2016.

Long-term Treasury yields edged lower during the first half of January 2017, as the December employment report showed weaker than expected job growth. Treasury yields reversed course in the second half of January, with renewed optimism about the U.S. economy prompting investors to buy stocks and lighten up on their holdings of safer assets such as Treasury bonds. At the start of February, the Federal Reserve concluded its two-day policy meeting with no change in its target interest rate and indicated it remained on track to gradually raise short-term interest rates this year. Long-term Treasury yields edged lower following the release of the January jobs report. Interest rates edged higher going into the second half of February, as increases in retail sales, factory output and inflation pointed to a healthy start in 2017 for the U.S. economy and the growing possibility of another rate increase by the Federal Reserve. As of February 24, 2017, the bond equivalent yields for U.S. Treasury bonds with terms of one and ten years equaled 0.80% and 2.31%, respectively, versus comparable year ago yields of 0.55% and 1.75%. Exhibit II-2 provides historical interest rate trends.

Based on the consensus outlook of economists surveyed by The Wall Street Journal in January 2017, GDP growth was projected to increase to 2.4% in 2017. The unemployment rate was forecasted to decline to 4.6% in June 2017 and to 4.5% in December 2017. An average of 166,000 jobs were projected to be added per month during 2017. On average, the economists forecasted an increase in the federal funds rate to 0.93% in June 2017 and to 1.31% in December 2017. On average, the economists forecasted that the 10-year Treasury yield would increase to 2.65% in June 2017 and increase to 2.89% by the end of 2017. The surveyed economists also forecasted home prices would rise 4.4% in 2017 and housing starts were forecasted to continue to trend slightly higher in 2017.

The January 2017 mortgage finance forecast from the Mortgage Bankers Association (the “MBA”) was for 2017 existing home sales to increase by 5.3% from 2016 sales and new home sales were forecasted to increase by 13.8% in 2017 from sales in 2016. The 2017 median sale prices for new and existing homes were forecasted to increase by 1.9% and 5.2%, respectively. Total mortgage production was forecasted to decline in 2017 to \$1.563 trillion, compared to \$1.891 trillion in 2016. The forecasted decrease in 2017 originations was based on a 10.3% increase in purchase volume and a 47.7% decrease in refinancing volume. Purchase mortgage originations were forecasted to total \$1.092 trillion in 2017, versus refinancing volume totaling \$471 billion. Housing starts for 2017 were projected to increase by 8.3% to total \$1.265 billion.

Market Area Demographics

Demographic and economic growth trends, measured by changes in population, number of households, age distribution and median household income, provide key insight into the health of the market area served by Ponce Bank (see Table 2.1). The primary market area counties are densely populated markets, ranking among the largest populations in New Jersey and New York. Kings County (Brooklyn) has the largest population among the four primary market area counties and is the largest county in New York, followed by Queens County and New York County as the second and third largest counties in New York. Bronx County is the fifth largest county in New York and Hudson County is the fifth largest county in New Jersey. Four out of the five primary market area counties served by Ponce Bank experienced relatively strong growth during the 2010 to 2017 period, as New York County was the only county that lagged the comparable U.S. population and household growth rates. All five of the primary market area counties posted stronger population and household growth rates compared to the state of New York. Population and household growth rates for the primary market area counties are projected to slow slightly over the next five years and, therefore, be more comparable to the projected U.S. population and household growth rates.

Age distribution measures reflect that the primary market area counties has a somewhat similarly-aged population relative to the state of New York and the U.S.

Income measures show New York County is a relatively affluent market. Comparatively, income measures for Bronx County, which has a relatively broad socioeconomic spectrum, were well below the comparable state measures as well as the other four primary market area counties. Projected income growth rates for the primary market area counties were generally fairly consistent with the projected income growth rates for New Jersey, New York and the U.S, with the highest income growth rates projected for Kings County and the lowest income growth rates projected for Bronx County.

Table 2.1
Ponce Bank
Summary Demographic Data

	2010	Year 2017	2022	Growth Rate	
				2010-2017 (%)	2017-2022 (%)
Population (000)					
USA	308,746	325,139	337,393	0.7%	0.7%
New York	19,378	19,892	20,287	0.4%	0.4%
Bronx, NY	1,385	1,476	1,535	0.9%	0.8%
Kings, NY	2,505	2,668	2,768	0.9%	0.7%
New York, NY	1,586	1,657	1,703	0.6%	0.6%
Queens, NY	2,231	2,368	2,455	0.9%	0.7%
Hudson, NJ	634	684	713	1.1%	0.8%
Households (000)					
USA	116,716	123,357	128,247	0.8%	0.8%
New York	7,318	7,568	7,745	0.5%	0.5%
Bronx, NY	483	518	539	1.0%	0.8%
Kings, NY	917	988	1,030	1.1%	0.8%
New York, NY	764	802	827	0.7%	0.6%
Queens, NY	780	828	858	0.9%	0.7%
Hudson, NJ	246	269	282	1.3%	0.9%
Median Household Income (\$)					
USA	NA	57,462	61,642	NA	1.4%
New York	NA	62,222	65,981	NA	1.2%
Bronx, NY	NA	34,959	36,302	NA	0.8%
Kings, NY	NA	50,530	55,811	NA	2.0%
New York, NY	NA	77,932	83,752	NA	1.5%
Queens, NY	NA	60,760	64,427	NA	1.2%
Hudson, NJ	NA	62,864	67,490	NA	1.4%
Per Capita Income (\$)					
USA	NA	31,459	34,068	NA	1.6%
New York	NA	35,725	38,286	NA	1.4%
Bronx, NY	NA	18,469	19,260	NA	0.8%
Kings, NY	NA	28,958	32,012	NA	2.0%
New York, NY	NA	67,621	71,740	NA	1.2%
Queens, NY	NA	28,283	30,311	NA	1.4%
Hudson, NJ	NA	36,657	39,939	NA	1.7%
2017 Age Distribution (%)					
	0-14 Yrs.	15-34 Yrs.	35-54 Yrs.	55-69 Yrs.	70+ Yrs.
USA	18.8	27.1	25.7	18.1	10.3
New York	17.6	27.6	26.1	18.2	10.5
Bronx, NY	21.3	30.1	25.8	14.8	8.0
Kings, NY	20.2	29.5	26.3	15.4	8.5
New York, NY	13.2	32.4	27.8	16.3	10.3
Queens, NY	17.3	27.1	28.3	17.6	9.7
Hudson, NJ	17.9	31.1	28.5	14.8	7.6
2017 HH Income Dist. (%)					
	Less Than 25,000	\$25,000 to 50,000	\$50,000 to 100,000	\$100,000+	
USA	21.9	22.9	29.5	25.7	
New York	22.1	20.2	27.6	30.1	
Bronx, NY	39.2	24.4	23.6	12.8	
Kings, NY	28.2	21.4	25.9	24.4	
New York, NY	22.4	14.7	21.5	41.4	
Queens, NY	21.4	21.1	30.3	27.2	
Hudson, NJ	22.6	19.4	27.2	30.9	

Source: SNL Financial

The relative affluence of New York County is further evidenced by a comparison of household income distribution measures, as New York County maintains a much higher percentage of households with incomes over \$100,000 relative to the U.S and New York. Comparatively, Bronx County maintains a relatively high percentage of households with incomes of less than \$25,000 and a relatively low percentage of households with income over \$100,000.

Local Economy

The markets served by the Bank have large and diverse economies. Comparative employment data in Table 2.2 shows that employment in services constitutes the primary source of employment in all of the primary area counties with the exception of Bronx County. Jobs in the education/healthcare/social services sector was the largest source of employment in Bronx County, as well as the state of New York, and was the second largest employment sector in the other four primary market area counties. Service jobs were the second largest source of jobs for Bronx County and the state of New York. The prominence of Wall Street jobs on the New York County economy is highlighted by the County’s relatively high concentration of jobs in finance/insurance/real estate sector, while wholesale/retail jobs were the third largest employment sector for the other primary market area counties and the state of New York.

Table 2.2
Ponce Bank
Primary Market Area Employment Sectors
(Percent of Labor Force)

Employment Sector	New York (%)	Bronx New York (%)	Kings New York (%)	New York New York (%)	Queens New York (%)	Hudson New Jersey (%)
Services	26.5%	27.1%	29.5%	35.1%	30.0%	28.3%
Education,Healthcare, Soc. Serv.	27.4%	32.3%	28.7%	22.7%	23.8%	20.1%
Wholesale/Retail Trade	13.1%	13.1%	11.5%	9.8%	12.5%	14.0%
Manufacturing	6.1%	3.7%	3.4%	2.7%	4.0%	6.8%
Construction	5.6%	5.4%	4.9%	1.9%	7.0%	5.5%
Finance/Insurance/Real Estate	7.9%	6.4%	7.3%	15.8%	7.6%	11.2%
Transportation/Utility	5.4%	7.0%	6.5%	3.1%	8.3%	7.7%
Government	4.4%	3.1%	3.7%	2.5%	4.2%	2.9%
Information	3.0%	1.7%	4.3%	6.4%	2.5%	3.4%
Agriculture	0.6%	0.1%	0.1%	0.0%	0.2%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: U.S. Census Bureau

The market area served by the Bank, characterized primarily as the New York MSA, has a highly developed and diverse economy, Healthcare, transportation, education and banking companies or institutions constitute major sources of employment in the Bank’s market area. Tourism also is a prominent component of the market area’s economy, as New York City annually ranks as one of the nation’s top tourist destinations. Table 2.3 lists in detail the major employers in the New York metropolitan area.

Table 2.3
Ponce Bank
Market Area Largest Employers

<u>Employer</u>	<u>Industry</u>
American Airlines	Transportation
Columbia University	Education
JPMorgan Chase	Banking
Memorial Sloan Kettering Cancer Center	Healthcare
Morgan Stanley Children’s Hospitay	Healthcare
Mount Sinai Hospital	Healthcare
New York-Presbyterian Hospital	Healthcare
Nielsen Company	Marketing
Northwell Health, Inc.	Healthcare
Verizion	Telecom

Source: Division of Research & Statistics Analysis of InfoUSA ARC employer database and publicly available Information

Unemployment Trends

Comparative unemployment rates for the primary market area counties, as well as for the U.S, and New York, are shown in Table 2.4. December 2016 unemployment rates for the primary market area counties ranged from a low of 3.8% for Hudson County to a high of 6.2% for Bronx County. With the exception of Bronx County, December 2016 unemployment rates for the primary market counties were equal to or lower than the comparable U.S. and New York unemployment rate of 4.5%. Consistent with the national trend, all of the primary market area counties and the state of New York reported lower unemployment rates for December 2016 compared to a year ago.

Table 2.4
Ponce Bank
Unemployment Trends

Region	Unemployment Rate		Net Change
	Dec. 2015	Dec. 2016	
USA	4.8%	4.5%	-0.3%
New York	4.7%	4.5%	-0.2%
Bronx County, NY	7.0%	6.2%	-0.8%
Kings County, NY	5.2%	4.5%	-0.7%
New York County, NY	4.3%	3.9%	-0.4%
Queens County, NY	4.4%	3.9%	-0.5%
Hudson County, NJ	4.0%	3.8%	-0.2%

Source: SNL Financial, LC.

Market Area Deposit Characteristics and Competition

The Bank's retail deposit base is closely tied to the New York metropolitan market area and, in particular, to the markets that are nearby to the Bank's branch locations. Table 2.5 displays deposit market trends from June 30, 2012 through June 30, 2016 for the primary market counties. Additional data is also presented for the state of New York. The data indicates that commercial banks gained or maintained deposit market share in all five of the primary market area counties during the four year period covered in Table 2.5. Similar to the states of New York, commercial banks maintained a larger market share of deposits than savings institutions in all five of the Bank's primary market area counties.

Ponce Bank's largest holding and highest market share of deposits is in Bronx County, where the Bank is headquartered and maintains its largest branch presence. The Bank's \$232.2 million of deposits at the Bronx County branches represented a 1.9% market share of bank and thrift deposits at June 30, 2016. The Bank's deposit market share in the remaining four counties was nominal, based on deposit market shares of 0.3% or less in those four counties.

Table 2.5
Ponce Bank
Deposit Summary

	As of June 30,						Deposit Growth Rate 2012-2016 (%)
	2012			2016			
	Deposits	Market Share	No. of Branches	Deposits	Market Share	No. of Branches	
	(Dollars in Thousands)						
New York	\$1,043,365,000	100.0%	5,433	\$1,496,993,000	100.0%	5,167	9.4%
Commercial Banks	969,334,000	92.9%	4,484	1,426,672,000	95.3%	4,406	10.1%
Savings Institutions	74,031,000	7.1%	949	70,321,000	4.7%	761	-1.3%
Bronx	\$ 10,422,908	100.0%	150	\$ 11,935,315	100.0%	149	3.4%
Commercial Banks	8,516,218	81.7%	123	10,112,143	84.7%	123	4.4%
Savings Institutions	1,906,690	18.3%	27	1,823,172	15.3%	26	-1.1%
Ponce Bank	266,474	2.6%	4	232,186	1.9%	4	-3.4%
Kings	\$ 37,603,197	100.0%	358	\$ 50,596,933	100.0%	370	7.7%
Commercial Banks	31,438,290	83.6%	276	43,203,681	85.4%	284	8.3%
Savings Institutions	6,164,907	16.4%	82	7,393,252	14.6%	86	4.6%
Ponce Bank	125,298	0.3%	3	107,791	0.2%	3	-3.7%
New York	\$ 682,762,089	100.0%	689	\$1,025,152,281	100.0%	690	10.7%
Commercial Banks	677,597,223	99.2%	649	1,019,350,801	99.4%	650	10.7%
Savings Institutions	5,164,866	0.8%	40	5,801,480	0.6%	40	2.9%
Ponce Bank	59,844	0.0%	1	63,792	0.0%	2	1.6%
Queens	\$ 43,546,874	100.0%	451	\$ 59,702,067	100.0%	437	8.2%
Commercial Banks	32,234,175	74.0%	334	44,521,594	74.6%	320	8.4%
Savings Institutions	11,312,699	26.0%	117	15,180,473	25.4%	117	7.6%
Ponce Bank	181,006	0.4%	3	191,836	0.3%	3	1.5%
Hudson, NJ	\$ 26,423,125	100.0%	177	\$ 29,643,052	100.0%	166	2.9%
Commercial Banks	23,201,789	87.8%	134	26,782,392	90.3%	128	3.7%
Savings Institutions	3,221,336	12.2%	43	2,860,660	9.7%	38	-2.9%
Ponce Bank	44,476	0.2%	1	36,833	0.1%	1	-4.6%

Source: FDIC.

As implied by the Bank's low market shares of deposits, the Bank faces significant competition. Among the Bank's competitors are much larger and more diversified institutions, which have greater resources than maintained by Ponce Bank. Financial institution competitors in the Bank's primary market area include other locally based thrifts and banks, as well as regional, super regional and money center banks. Table 2.6 lists the Bank's largest competitors in the five counties currently served by its branches, based on deposit market share.

Table 2.6
Ponce Bank
Market Area Deposit Competitors - As of June 30, 2016

Location	Name	Market Share (%)	Rank
Bronx County	JPMorgan Chase & Co. (NY)	35.00	
	Citigroup Inc. (NY)	18.33	
	Apple Financial Holding Inc. (NY)	9.12	
	Capital One Financial Corp. (VA)	7.00	
	Bank of America Corp. (NC)	5.19	
	Ponce Bank	1.95	10 of 23
Kings County	JPMorgan Chase & Co. (NY)	28.89	
	Banco Santander	11.95	
	Citigroup Inc. (NY)	11.72	
	Toronto-Dominion Bank	6.56	
	Capital One Financial Corp. (VA)	6.19	
	Ponce Bank	0.21	27 of 41
New York County	JPMorgan Chase & Co. (NY)	46.14	
	Bank of New York Mellon Corp. (NY)	12.87	
	HSBC Holdings	10.37	
	Citigroup Inc. (NY)	7.63	
	Bank of America Corp. (NC)	6.20	
	Ponce Bank	0.01	71 of 90
Queens County	JPMorgan Chase & Co. (NY)	23.09	
	Citigroup Inc. (NY)	13.57	
	New York Community Bancorp (NY)	11.90	
	Capital One Financial Corp. (VA)	8.82	
	Toronto-Dominion Bank	6.04	
	Ponce Bank	0.32	32 of 54
Hudson County	Bank of America Corp. (NC)	52.86	
	JPMorgan Chase & Co. (NY)	5.59	
	Capital One Financial Corp. (VA)	5.12	
	Banco Santander	4.91	
	Toronto-Dominion Bank	4.04	
	Ponce Bank	0.12	24 of 31

Source: SNL Financial, LC.

III. PEER GROUP ANALYSIS

This chapter presents an analysis of Ponce Bank's operations versus a group of comparable savings institutions (the "Peer Group") selected from the universe of all publicly-traded savings institutions in a manner consistent with the regulatory valuation guidelines. The basis of the pro forma market valuation of Ponce Bank is derived from the pricing ratios of the Peer Group institutions, incorporating valuation adjustments for key differences in relation to the Peer Group. Since no Peer Group can be exactly comparable to Ponce Bank, key areas examined for differences are: financial condition; profitability, growth and viability of earnings; asset growth; primary market area; dividends; liquidity of the shares; marketing of the issue; management; and effect of government regulations and regulatory reform.

Peer Group Selection

The Peer Group selection process is governed by the general parameters set forth in the regulatory valuation guidelines. Accordingly, the Peer Group is comprised of only those publicly-traded savings institutions whose common stock is either listed on the NYSE or NASDAQ, since their stock trading activity is regularly reported and generally more frequent than non-publicly traded and closely-held institutions. Institutions that are not listed on the NYSE or NASDAQ are inappropriate, since the trading activity for thinly-traded or closely-held stocks are typically highly irregular in terms of frequency and price and thus may not be a reliable indicator of market value. We have also excluded from the Peer Group those companies under acquisition or subject to rumored acquisition and recent conversions, since their pricing ratios are subject to unusual distortion and/or have limited trading history. A recent listing of the universe of all publicly-traded savings institutions is included as Exhibit III-1.

Ideally, the Peer Group, which must have at least 10 members to comply with the regulatory valuation guidelines, should be comprised of publicly-traded MHCs with comparable resources, strategies and financial characteristics as Ponce Bank. However, there are currently only eight publicly-traded MHCs. Accordingly, in deriving a Peer Group comprised of institutions with relatively comparable characteristics as Ponce Bank, the companies selected for Ponce Bank's Peer Group are all fully-converted companies. The valuation adjustments applied in the Chapter IV analysis will take into consideration differences between the Bank's MHC form of ownership relative to the fully-converted Peer Group companies. Also included in Chapter IV is a pricing analysis of the publicly-traded MHCs on a fully-converted basis.

From the universe of publicly-traded thrifts, we selected ten institutions with characteristics similar to those of Ponce Bank. In the selection process, we applied two “screens” to the universe of all public companies that were eligible for consideration:

- Screen #1 Mid-Atlantic institutions with assets between \$500 million and \$1.5 billion, tangible equity-to-assets ratios of greater than 7.5% and positive reported and core earnings. Seven companies met the criteria for Screen #1 and six were included in the Peer Group: Bay Bancorp, Inc. of Maryland, Clifton Bancorp, Inc. of New Jersey, Elmira Savings Bank of New York, Malvern Bancorp, Inc. of Pennsylvania, Pathfinder Bancorp, Inc. of New York and Prudential Bancorp, Inc. of Pennsylvania. Severn Bancorp, Inc. of Maryland met the selection criteria, but was excluded on the basis of earnings being distorted by a reversal of a \$10.8 million valuation allowance recorded against its net deferred tax asset. Exhibit III-2 provides financial and public market pricing characteristics of all publicly-traded Mid-Atlantic thrifts.
- Screen #2 New England institutions with assets between \$500 million and \$1.5 billion, tangible equity-to-assets ratios of greater than 7.5% and positive reported and core earnings. Four companies met the criteria for Screen #2 and all four were included in the Peer Group: Coastway Bancorp Inc. of Rhode Island, PB Bancorp, Inc. of Connecticut, Wellesley Bancorp, Inc. of Massachusetts and Western New England Bancorp, Inc. of Massachusetts. Exhibit III-3 provides financial and public market pricing characteristics of all publicly-traded New England thrifts.

Table 3.1 shows the general characteristics of each of the ten Peer Group companies and Exhibit III-4 provides summary demographic and deposit market share data for the primary market areas served by each of the Peer Group companies. While there are expectedly some differences between the Peer Group companies and Ponce Bank, we believe that the Peer Group companies, on average, provide a good basis for valuation subject to valuation adjustments. The following sections present a comparison of Ponce Bank’s financial condition, income and expense trends, loan composition, interest rate risk and credit risk versus the Peer Group as of the most recent publicly available date. Comparative data for all publicly-traded thrifts, and publicly-traded New York thrifts have been included in the Chapter III tables as well.

In addition to the selection criteria used to identify the Peer Group companies, a summary description of the key comparable characteristics of each of the Peer Group companies relative to Ponce Bank’s characteristics is detailed below.

- Bay Bancorp, Inc. of Maryland. Comparable due to similar size of branch network, similar interest-bearing funding composition, similar return on average assets, similar net interest income to average assets ratio, relatively high operating expense ratio and lending diversification emphasis on commercial real estate/multi-family loans.
- Clifton Bancorp, Inc. of New Jersey. Comparable due to similar size of branch network and lending diversification emphasis on commercial real estate/multi-family loans.
- Coastway Bancorp Inc. of Rhode Island. Comparable due to similar size of branch network, similar interest-earning asset composition, relatively high operating expense ratio and lending diversification emphasis on commercial real estate/multi-family loans.
- Elmira Savings of New York. Comparable due to similar size of branch network, similar interest-earning asset composition and lending diversification emphasis on commercial real estate/multi-family loans.
- Malvern Bancorp, Inc. of Pennsylvania. Comparable due to similar asset size, limited earnings contribution from sources of non-interest operating income and lending diversification emphasis on commercial real estate/multi-family loans.
- Pathfinder Bancorp, Inc. of New York. Comparable due to similar asset size and lending diversification emphasis commercial real estate/multi-family loans.
- PB Bancorp, Inc. of Connecticut. Comparable due to similar return on average assets ratio, similar concentration of 1-4 family loans as a percent of assets and lending diversification emphasis commercial real estate/multi-family loans.
- Prudential Bancorp, Inc. of Pennsylvania. Comparable due to similar size of branch network, similar impact of loan loss provisions on earnings, limited earnings contribution from sources of non-interest operating income, similar concentration of 1-4 family loans as a percent of assets, lending diversification emphasis on commercial real estate/multi-family loans and similar ratio of non-performing assets as a percent of assets.
- Wellesley Bancorp, Inc. of Massachusetts. Comparable due to similar asset size, similar interest-earning asset composition, limited earnings contribution from sources of non-interest operating income, similar concentration of 1-4 family loans as a percent of assets and lending diversification emphasis on commercial real estate/multi-family loans.
- Western New England Bancorp, Inc. of Massachusetts. Comparable due to similar return on average assets ratio, limited earnings contribution from sources of non-interest operating income and lending diversification emphasis on commercial real estate/multi-family loans.

In aggregate, the Peer Group companies maintained a slightly higher level of tangible equity than the industry average (12.58% of assets versus 11.97% for all public companies), generated lower earnings as a percent of average assets (0.56% core ROAA versus 0.72% for all public companies), and earned a lower ROE (4.81% core ROE versus 6.03% for all public companies). Overall, the Peer Group's average P/TB ratio and average core P/E multiple were below and approximately same compared to the respective averages for all publicly-traded thrifts.

	All Publicly-Traded	Peer Group
<u>Financial Characteristics (Averages)</u>		
Assets (\$Mil)	\$ 3,274	\$ 777
Market capitalization (\$Mil)	\$ 580	\$ 139
Tangible equity/assets (%)	11.97%	12.58%
Core return on average assets (%)	0.72	0.56
Core return on average equity (%)	6.03	4.81
<u>Pricing Ratios (Averages)(1)</u>		
Core price/earnings (x)	20.60x	20.21x
Price/tangible book (%)	146.71%	128.46%
Price/assets (%)	16.27	15.05

(1) Based on market prices as of February 24, 2017.

Ideally, the Peer Group companies would be comparable to Ponce Bank in terms of all of the selection criteria, but the universe of publicly-traded thrifts does not provide for an appropriate number of such companies. However, in general, the companies selected for the Peer Group were fairly comparable to Ponce Bank, as will be highlighted in the following comparative analysis. Comparative data for all publicly-traded thrifts and publicly-traded New York thrifts have been included in the Chapter III tables as well.

Financial Condition

Table 3.2 shows comparative balance sheet measures for Ponce Bank and the Peer Group, reflecting the expected similarities and some differences given the selection procedures outlined above. The Bank's and the Peer Group's ratios reflect balances as of December 31, 2016 and September 30, 2016, respectively. Ponce Bank's equity-to-assets ratio of 12.48% was slightly lower than the Peer Group's average net worth ratio of 13.05%. With the infusion of the net proceeds, the Bank's pro forma equity-to-assets ratio will exceed the Peer Group's equity-to-assets ratio. Tangible equity-to-assets ratios for the Bank and the Peer Group equaled 12.48% and 12.58%, respectively. The increase in Ponce Bank's pro forma capital position will be favorable from a risk perspective and in terms of future earnings potential that could be realized through leverage and lower funding costs. At the same time, the Bank's higher pro forma capitalization will initially depress return on equity. Both Ponce Bank's and the Peer Group's capital ratios reflected capital surpluses with respect to the regulatory capital requirements.

The interest-earning asset compositions for the Bank and the Peer Group were somewhat similar, with loans constituting the bulk of interest-earning assets for both Ponce Bank and the Peer Group. The Bank's loans-to-assets ratio of 86.48% was higher than the comparable Peer Group ratio of 71.32%. Comparatively, the Bank's cash and investments-to-assets ratio of 8.77% was lower than the comparable Peer Group ratio of 23.39%. Overall, Ponce Bank's interest-earning assets amounted to 95.25% of assets, which was slightly higher than the comparable Peer Group ratio of 94.71%. The Peer Group's non-interest earning assets included bank-owned life insurance ("BOLI") equal to 2.21% of assets and goodwill/intangibles equal to 0.47% of assets, while the Bank maintained a zero balance of BOLI and a very nominal balance of goodwill/intangibles.

Ponce Bank's funding liabilities reflected a funding strategy that was somewhat similar to that of the Peer Group's funding composition. The Bank's deposits equaled 86.32% of assets, which was above the Peer Group's ratio of 72.52%. Comparatively, the Bank maintained a lower level of borrowings to fund assets, as indicated by borrowings-to-assets ratios of 0.40% and 13.48% for Ponce Bank and the Peer Group, respectively. Total interest-bearing liabilities maintained by the Bank and the Peer Group, as a percent of assets, equaled 86.72% and 86.00%, respectively.

A key measure of balance sheet strength for a thrift institution is its interest-earnings assets/interest-bearing liabilities ("IEA/IBL") ratio. Presently, the Bank's IEA/IBL ratio is approximately the same as the Peer Group's ratio, based on IEA/IBL ratios of 109.84% and 110.13%, respectively. The additional capital realized from stock proceeds should serve to provide Ponce Bank with an IEA/IBL ratio that exceeds the Peer Group's ratio, as the increase in capital provided by the infusion of stock proceeds will serve to lower the level of interest-bearing liabilities funding assets and will be primarily deployed into interest-earning assets.

The growth rate section of Table 3.2 shows annual growth rates for key balance sheet items. Ponce Bank's and the Peer Group's growth rates are based on annual growth for the twelve months ended December 31, 2016 and September 30, 2015, respectively. Ponce Bank recorded a 5.95% increase in assets, versus asset growth of 14.24% recorded by the Peer Group. The Peer Group's higher growth rate was in part due to acquisition related by Bay Bancorp, Inc. and Prudential Bancorp, Inc. Asset growth for Ponce Bank was driven by a 12.84% increase in loans, which was in part funded by a 31.83% reduction in cash and investments. Comparatively, asset growth for the Peer Group was driven by an 18.72% increase in loans and was supplemented with a 16.04% increase in cash and investments.

Asset growth for Ponce Bank was funded by a 7.27% increase in deposits, which also funded a 62.50% decrease in borrowings. Asset growth for the Peer Group was funded through deposit growth of 13.19% and a 27.72% increase in borrowings. The Bank's tangible capital increased 2.12%, which was largely attributable to retention of earnings. Comparatively, the Peer Group's tangible capital increased 6.88%, with the Peer Group's higher growth rate in part supported by PB Bancorp's relatively high capital growth rate realized in connection with its second-step conversion. The Bank's post-conversion capital growth rate will initially be constrained by maintenance of a higher pro forma capital position. Additionally, implementation of any stock repurchases and dividend payments, pursuant to regulatory limitations and guidelines, could also slow the Bank's capital growth rate in the longer term following the stock offering.

Income and Expense Components

Table 3.3 displays statements of operations for the Bank and the Peer Group. The Bank's and the Peer Group's ratios are based on earnings for the twelve months ended December 31, 2016 and September 30, 2016, respectively. Ponce Bank and the Peer Group reported net income to average assets ratios of 0.20% and 0.56%, respectively. The Peer Group's higher return was realized through a higher ratio for non-interest operating income, a lower ratio for operating expenses and a lower effective tax rate, which were partially offset by the Bank's higher ratio for net interest income and lower ratio for loan loss provisions.

The Bank's higher net interest income to average assets ratio was realized through a higher interest income ratio, which was partially offset by the Peer Group's lower interest expense ratio. The Bank's higher interest income ratio was supported by maintaining a higher overall yield earned on interest-earning assets (4.88% versus 3.69% for the Peer Group), as well as maintaining a slightly higher concentration of interest-earning assets as a percent of assets. Likewise, the Peer Group's lower interest expense ratio was supported by a lower cost of funds (0.86% versus 1.06% for the Bank), as well as maintaining a slightly lower ratio of interest-bearing liabilities funding assets. Overall, Ponce Bank and the Peer Group reported net interest income to average assets ratios of 3.83% and 2.82%, respectively.

In another key area of core earnings strength, the Bank maintained a significantly higher level of operating expenses than the Peer Group. For the period covered in Table 3.3, the Bank and the Peer Group reported operating expense to average assets ratios of 3.84% and 2.59%, respectively. The Bank's higher operating expense ratio was consistent with the comparatively higher number of employees maintained relative to its asset size. Assets per full time equivalent employee equaled \$4.282 million for the Bank, versus \$7.028 million for the Peer Group.

When viewed together, net interest income and operating expenses provide considerable insight into a thrift's earnings strength, since those sources of income and expenses are typically the most prominent components of earnings and are generally more predictable than losses and gains realized from the sale of assets or other non-recurring activities. In this regard, as measured by their expense coverage ratios (net interest income divided by operating expenses), the Bank's earnings were less favorable than the Peer Group's. Expense coverage ratios for Ponce Bank and the Peer Group equaled 1.00x and 1.09x, respectively.

Sources of non-interest operating income provided a larger contribution to the Peer Group's earnings, with such income amounting to 0.34% and 0.49% of Ponce Bank's and the Peer Group's average assets, respectively. Taking non-interest operating income into account in comparing the Bank's and the Peer Group's earnings, Ponce Bank's efficiency ratio (operating expenses, as a percent of the sum of non-interest operating income and net interest income) of 92.09% was less favorable than the Peer Group's efficiency ratio of 78.25%.

Loan loss provisions had a larger impact on the Peer Group's earnings, with loan loss provisions established by the Peer Group equaling 0.13% of average assets. Comparatively, the Bank recorded a reversal to loan loss provisions equal to 0.01% of average assets.

Net non-operating gains equaled 0.01% of average assets for the Peer Group and were not a factor in the Bank's earnings. Typically, gains and losses generated from the sale of assets and other non-operating activities are viewed as earnings with a relatively high degree of volatility, particularly to the extent that such gains and losses result from the sale of investments or other assets that are not considered to be part of an institution's core operations. Extraordinary items were not a factor in either the Bank's or the Peer Group's earnings.

Taxes had a more significant impact on the Bank's earnings, as the Bank and the Peer Group posted effective tax rates of 41.36% and 18.38%, respectively. As indicated in the prospectus, the Bank's effective marginal tax rate is equal to 34.0%.

Loan Composition

Table 3.4 presents data related to the Bank's and the Peer Group's loan portfolio compositions (including the investment in mortgage-backed securities). The Bank's loan portfolio composition reflected a lower combined concentration of 1-4 family permanent mortgage loans and mortgage-backed securities in comparison to the Peer Group (45.06% of assets versus 52.75% for the Peer Group), as the Peer Group's higher concentration of mortgage-backed securities was only partially offset by the Bank's higher concentration of 1-4 family loans. The Bank did not hold any loans serviced for others, while loans serviced for others for the Peer Group equaled 4.06% of the Peer Group's assets; thereby indicating that loan servicing income and expenses were a larger factor in the Peer Group's earnings. Loan servicing intangibles constituted a modest balance sheet item for the Peer Group.

Overall, diversification into higher risk and higher yielding types of lending was more significant for the Bank, which was primarily attributable to the Bank's higher concentration of multi-family loans (21.24% of assets versus 2.72% for the Peer Group). Commercial real estate loans constituted the most significant type of lending diversification for the Peer Group (17.37% of assets versus 16.31% for the Bank). The Bank also maintained a slightly higher concentration of construction/land loans, while the Peer Group maintained higher concentrations of commercial business loans and consumer loans. In total, construction/land, commercial real estate, multi-family, commercial business and consumer loans comprised 43.84% and 29.88% of the Bank's and the Peer Group's assets, respectively. Overall, the Bank's asset composition provided for a higher risk weighted assets-to-assets ratio of 74.19%, versus a comparable Peer Group ratio of 66.58%.

Interest Rate Risk

Table 3.5 reflects various key ratios highlighting the relative interest rate risk exposure of the Bank versus the Peer Group. In terms of balance sheet composition, Ponce Bank's interest rate risk characteristics were considered to be fairly similar to the comparable measures for the Peer Group. Most notably, the Bank's tangible equity-to-assets ratio and IEA/IBL ratio were similar to the comparable Peer Group ratios. Likewise, the ratio of non-interest earning assets as a percent of assets were similar for the Bank and the Peer Group. On a pro forma basis, the infusion of stock proceeds should serve to provide the Bank with more favorable balance sheet interest rate risk characteristics than maintained by the Peer Group, as the result of the increases that will be realized in Bank's equity-to-assets and IEA/IBL ratios following the infusion of stock proceeds.

To analyze interest rate risk associated with the net interest margin, we reviewed quarterly changes in net interest income as a percent of average assets for Ponce Bank and the Peer Group. In general, the comparative fluctuations in the Bank's and the Peer Group's net interest income ratios implied that the interest rate risk associated with the Bank's net interest margin was greater than the Peer Group's implied net interest margin interest rate risk, based on the interest rate environment that prevailed during the period covered in Table 3.5. The stability of the Bank's net interest margin should be enhanced by the infusion of stock proceeds, as interest rate sensitive liabilities will be funding a lower portion of Ponce Bank's assets and the proceeds will be substantially deployed into interest-earning assets.

Credit Risk

Overall, based on a comparison of credit risk measures, the Bank's implied credit risk exposure was viewed to be greater relative to the Peer Group's credit risk exposure. As shown in Table 3.6, the Bank's ratios for non-performing/assets and non-performing loans/loans equaled 3.50% and 4.01%, respectively, versus comparable measures of 1.29% and 1.62% for the Peer Group. It should be noted that the measures for non-performing assets and non-performing loans in Table 3.6 include accruing loans that are classified as troubled debt restructurings, which accounted for slightly more than 70% of the Bank's non-performing loan balance at December 31, 2016. The Bank's and Peer Group's loss reserves as a percent of non-performing loans equaled 39.09% and 158.08%, respectively. Loss reserves maintained as percent of loans receivable equaled 1.57% for the Bank, versus 0.86% for the Peer Group. Net loan charge-offs were a larger factor for the Peer Group, as net loan charge-offs for the Peer Group equaled 0.06% loans. Comparatively, the Bank recorded a net recovery equal to 0.12% of loans.

Summary

Based on the above analysis, RP Financial concluded that the Peer Group forms a reasonable basis for determining the pro forma market value of the Bank. Such general characteristics as asset size, capital position, interest-earning asset composition, funding composition, core earnings measures, loan composition, credit quality and exposure to interest rate risk all tend to support the reasonability of the Peer Group from a financial standpoint. Those areas where differences exist will be addressed in the form of valuation adjustments to the extent necessary.

IV. VALUATION ANALYSIS

Introduction

This chapter presents the valuation analysis and methodology prepared pursuant to the regulatory guidelines, and valuation adjustments and assumptions used to determine the estimated pro forma market value of the common stock to be issued in conjunction with the Bank's minority stock offering.

Appraisal Guidelines

The federal regulatory appraisal guidelines required by the OCC, FRB, the FDIC and state banking agencies specify the pro forma market value methodology for estimating the pro forma market value of an institution. Pursuant to this methodology: (1) a peer group of comparable publicly-traded institutions is selected; (2) a financial and operational comparison of the subject company to the peer group is conducted to discern key differences; and (3) a valuation analysis in which the pro forma market value of the subject company is determined based on the market pricing of the peer group as of the date of valuation, incorporating valuation adjustments for key differences. In addition, the pricing characteristics of recent conversions, both at conversion and in the aftermarket, must be considered. Given the unique differences in the pricing characteristics of publicly-traded MHCs relative to fully-converted thrift stocks, we have also reviewed the pricing characteristics of publicly-traded MHCs on a fully-converted basis.

RP Financial Approach to the Valuation

The valuation analysis herein complies with such regulatory approval guidelines. Accordingly, the valuation incorporates a detailed analysis based on the Peer Group, discussed in Chapter III, which constitutes "fundamental analysis" techniques. Additionally, the valuation incorporates a "technical analysis" of recently completed conversions, including closing pricing and aftermarket trading of such offerings. It should be noted that these valuation analyses cannot possibly fully account for all the market forces which impact trading activity and pricing characteristics of a stock on a given day.

The pro forma market value determined herein is a preliminary value for the Company's to-be-issued stock. Throughout the stock issuance process, RP Financial will: (1) review changes in the Bank's operations and financial condition; (2) monitor the Bank's operations and financial condition relative to the Peer Group to identify any fundamental changes; (3) monitor the external factors affecting value including, but not limited to, local and national economic conditions, interest rates, and the stock market environment, including the market for thrift stocks; and (4) monitor pending conversion offerings, both regionally and nationally. If material changes should occur prior to the close of the offering, RP Financial will evaluate if updated valuation reports should be prepared reflecting such changes and their related impact on value, if any. RP Financial will also prepare a final valuation update at the closing of the offering to determine if the prepared valuation analysis and resulting range of value continues to be appropriate.

The appraised value determined herein is based on the current market and operating environment for the Bank and for all thrifts. Subsequent changes in the local and national economy, the legislative and regulatory environment, the stock market, interest rates, and other external forces (such as natural disasters or major world events), which may occur from time to time (often with great unpredictability) may materially impact the market value of all thrift stocks, including Ponce Bank's value, the market value of the stocks of public MHC institutions, or Ponce Bank's value alone. To the extent a change in factors impacting the Bank's value can be reasonably anticipated and/or quantified, RP Financial has incorporated the estimated impact into its analysis.

Valuation Analysis

A fundamental analysis discussing similarities and differences relative to the Peer Group was presented in Chapter III. The following sections summarize the key differences between the Bank and the Peer Group and how those differences affect the pro forma valuation. Emphasis is placed on the specific strengths and weaknesses of the Bank relative to the Peer Group in such key areas as financial condition, profitability, growth and viability of earnings, asset growth, primary market area, dividends, liquidity of the shares, marketing of the issue, management, and the effect of government regulations and/or regulatory reform. We have also considered the market for thrift stocks, in particular new issues, to assess the impact on value of Ponce Bank coming to market at this time.

1. Financial Condition

The financial condition of an institution is an important determinant in pro forma market value because investors typically look to such factors as liquidity, capital, asset composition and quality, and funding sources in assessing investment attractiveness. The similarities and differences in the Bank's and the Peer Group's financial strengths are noted as follows:

- Overall A/L Composition. Loans funded by retail deposits were the primary components of both Ponce Bank's and the Peer Group's balance sheets. The Bank's interest-earning asset composition exhibited a higher concentration of loans and a greater degree of diversification into higher risk types of loans. Overall, the Bank's asset composition provided for a higher yield earned on interest-earning assets and a higher risk weighted assets-to-assets ratio in comparison to the Peer Group's ratios. Ponce Bank's funding composition reflected a higher level of deposits and a lower level of borrowings in comparison to the Peer Group's ratios, which provided the Bank with a slightly higher cost of funds than maintained by the Peer Group. Overall, as a percent of assets, the Bank maintained slightly higher levels of interest-earning assets and interest-bearing liabilities relative to the comparable ratios for the Peer Group, which translated into a similar IEA/IBL ratio for the Bank and the Peer Group. After factoring in the impact of the net stock proceeds, the Bank's IEA/IBL ratio will be more comparable to or exceed the Peer Group's ratio. On balance, RP Financial concluded that asset/liability composition was a neutral factor in our adjustment for financial condition.
- Credit Quality. The Bank's ratios for non-performing assets as a percent of assets and non-performing loans as a percent of loans were higher than the comparable ratios for the Peer Group, which was due the Bank's comparatively higher balance of accruing loans classified as troubled debt restructurings. In comparison to the Peer Group, the Bank maintained lower loss reserves as a percent of non-performing loans and higher reserves as a percent of loans. Net loan charge-offs as a percent of loans were higher for the Peer Group, as the Bank recorded a net recovery during 2016. The Bank's risk weighted assets-to-assets ratio was higher than the Peer Group's ratio. Overall, RP Financial concluded that credit quality was a slightly negative factor in our adjustment for financial condition.
- Balance Sheet Liquidity. The Peer Group operated with a higher level of cash and investment securities relative to the Bank (23.39% of assets versus 8.77% for the Bank). Following the infusion of stock proceeds, the Bank's cash and investments ratio is expected to increase as a portion of the proceeds retained at the holding company level will initially be held in short-term liquid funds. The Bank's future borrowing capacity was considered to be slightly greater than the Peer Group's borrowing capacity, based on the lower level of borrowings that are funding the Bank's assets. Overall, RP Financial concluded that balance sheet liquidity was a neutral factor in our adjustment for financial condition.

- Funding Liabilities. The Bank's interest-bearing funding composition reflected a higher concentration of deposits and a lower level of borrowings relative to the comparable Peer Group ratios, which translated into a higher cost of funds for the Bank. The Bank's ratio of total interest-bearing liabilities as a percent of assets was slightly above the Peer Group's ratio. Following the stock offering, the increase in the Bank's capital position will reduce the level of interest-bearing liabilities funding the Bank's assets to a level that is more comparable to or lower than the Peer Group's ratio of interest-bearing liabilities as a percent of assets. Overall, RP Financial concluded that funding liabilities were a neutral factor in our adjustment for financial condition.
- Capital. The Peer Group currently operates with a slightly higher equity-to-assets ratio than the Bank. Following the stock offering, Ponce Bank's pro forma capital position will exceed the Peer Group's equity-to-assets ratio. On balance, RP Financial concluded that capital strength was a slightly positive factor in our adjustment for financial condition.

On balance, Ponce Bank's balance sheet strength was considered to be comparable to the Peer Group's balance sheet strength and, thus, no adjustment was applied for the Bank's financial condition.

2. Profitability, Growth and Viability of Earnings

Earnings are a key factor in determining pro forma market value, as the level and risk characteristics of an institution's earnings stream and prospects to generate future earnings heavily influence the multiple that the investment community will pay for earnings. The major factors considered in the valuation are described below.

- Reported Earnings. The Bank's reported earnings were lower than the Peer Group's on a ROAA basis (0.20% of average assets versus 0.56% for the Peer Group). The Peer Group maintained more favorable ratios for non-interest operating income, operating expenses and effective tax rate, which were partially offset by the Bank's more favorable ratios for loan loss provisions and net interest income. Reinvestment of stock proceeds into interest-earning assets will serve to increase the Bank's earnings, with the benefit of reinvesting proceeds expected to be somewhat offset by higher operating expenses associated with operating as a publicly-traded company and the implementation of stock benefit plans. Overall, the Bank's reported earnings were considered to be less favorable than the Peer Group's reported earnings and, thus, RP Financial concluded that this was a moderately negative factor in our adjustment for profitability, growth and viability of earnings.
- Core Earnings. Net interest income, operating expenses, non-interest operating income and loan loss provisions were reviewed in assessing the relative strengths and weaknesses of the Bank's and the Peer Group's core earnings. In these measures, the Bank operated with a higher net interest income ratio, a higher operating expense ratio and a lower level of non-interest operating income. The Bank's higher net interest income and operating expense ratios translated into a lower expense coverage ratio in comparison to the Peer Group's ratio (equal to 1.00x versus 1.09x for the Peer Group). Similarly, the Bank's

efficiency ratio of 92.09% was less favorable than the Peer Group's efficiency ratio of 78.25%. Loan loss provisions had a larger impact on the Peer Group's earnings. Overall, these measures, as well as the expected earnings benefits the Bank should realize from the redeployment of stock proceeds into interest-earning assets and leveraging of post-conversion capital, which will be somewhat negated by expenses associated with the stock benefit plans and operating as a publicly-traded company, indicate that the Bank's pro forma core earnings will remain less favorable than the Peer Group's core earnings. Therefore, RP Financial concluded that this was a moderately negative factor in our adjustment for profitability, growth and viability of earnings.

- Interest Rate Risk. Quarterly changes in the Bank's and the Peer Group's net interest income to average assets ratios indicated that a greater degree of volatility was associated with the Bank's net interest margin. Other measures of interest rate risk, such as capital levels, IEA/IBL ratios and levels of non-interest earning assets were fairly similar for the Bank and the Peer Group. On a pro forma basis, the infusion of stock proceeds can be expected to provide the Bank with equity-to-assets and IEA/ILB ratios that exceed the Peer Group ratios, as well as enhance the stability of the Bank's net interest margin. Accordingly, on balance, this was a neutral factor in our adjustment for profitability, growth and viability of earnings.
- Credit Risk. Loan loss provisions were a slightly larger factor in the Peer Group's earnings (0.13% of average assets versus a reversal of 0.01% of average assets for the Bank). In terms of future exposure to credit quality related losses, the Bank maintained a higher concentration of assets in loans and greater diversification into higher risk types of loans. The Bank's credit quality measures generally implied a higher degree of credit risk exposure relative to the comparable credit quality measures indicated for the Peer Group. Overall, RP Financial concluded that credit risk was a slightly negative factor in our adjustment for profitability, growth and viability of earnings.
- Earnings Growth Potential. Several factors were considered in assessing earnings growth potential. First, the Bank currently maintains a higher interest rate spread than the Peer Group, which would tend to facilitate a continuation of a higher net interest margin for the Bank going forward. Second, the infusion of stock proceeds will provide the Bank with greater growth potential through leverage than currently maintained by the Peer Group. Third, the Bank's lower ratios of non-interest operating income and higher operating expenses were viewed as disadvantages to sustain earnings growth during periods when net interest margins come under pressure as the result of adverse changes in interest rates. Overall, earnings growth potential was considered to be a neutral factor in our adjustment for profitability, growth and viability of earnings.
- Return on Equity. Currently, the Bank's core ROE is lower than the Peer Group's core ROE. As the result of the increase in capital that will be realized from the infusion of net stock proceeds into the Bank's equity, the Bank's pro forma return equity on a core earnings basis will remain lower than the Peer Group's core ROE. Accordingly, this was a moderately negative factor in the adjustment for profitability, growth and viability of earnings.

On balance, Ponce Bank's pro forma earnings strength was considered to be less favorable than the Peer Group's and, thus, a moderate downward adjustment was applied for profitability, growth and viability of earnings.

3. Asset Growth

Comparative asset growth rates for the Bank and the Peer Group showed a 5.95% increase in the Bank's assets, versus a 14.24% increase in the Peer Group's assets. The Peer Group's stronger asset growth was in part attributable to acquisition related growth. Asset growth for the Bank was sustained by a 12.84% increase in loans, which was partially funded with cash and investments. The Peer Group's asset growth was primarily sustained by an 18.72% increase in loans and also included an increase in cash and investments. Overall, net of the Peer Group's acquisition related growth the Bank's recent asset growth trends would tend to be viewed fairly comparable to the Peer Group's asset growth trends in terms of supporting future earnings growth. On a pro forma basis, the Bank's tangible equity-to-assets ratio will exceed the Peer Group's tangible equity-to-assets ratio, providing the Bank with greater leverage capacity than maintained by the Peer Group. On balance, a slight upward adjustment was applied for asset growth.

4. Primary Market Area

The general condition of an institution's market area has an impact on value, as future success is in part dependent upon opportunities for profitable activities in the local market served. Ponce Bank serves the New York metropolitan area through the headquarters office and 13 full service branches. Operating in a densely populated market area provides the Bank with growth opportunities, but such growth must be achieved in a highly competitive market environment. The Bank competes against significantly larger institutions that provide a larger array of services and have significantly larger branch networks than maintained by Ponce Bank.

The Peer Group companies generally operate in markets with smaller populations compared to Bronx County. Population growth for the primary market area counties served by the Peer Group companies reflected a range of growth rates, but, overall, population growth rates in the markets served by the Peer Group companies were less than Bronx County's recent historical and projected population growth rates. Bronx County has a lower per capita income compared to the Peer Group's average per capita income and, on average, the Peer Group's primary market area counties were more affluent markets within their respective states

compared to Bronx County’s per capita income as a percent of New York’s per capita income (96.6% for the Peer Group versus 51.7% for Bronx County). The average and median deposit market shares maintained by the Peer Group companies were greater than the Bank’s market share of deposits in Bronx County. Overall, the degree of competition faced by the Peer Group companies was viewed as less than the Bank’s competitive environment in Bronx County, while the growth potential in the markets served by the Peer Group companies was for the most part viewed to be slightly less favorable than provided by the Bank’s primary market area. Summary demographic and deposit market share data for the Bank and the Peer Group companies is provided in Exhibit III-4. As shown in Table 4.1, the average unemployment rate for the primary market area counties served by the Peer Group companies was below the unemployment rate reflected for Bronx County. On balance, we concluded that no adjustment was appropriate for the Bank’s market area.

Table 4.1
Market Area Unemployment Rates
Ponce Bank and the Peer Group Companies (1)

	County	December 2016 Unemployment
Ponce Bank - NY	Bronx	6.2%
Peer Group Average		4.3
The Peer Group		
Bay Bancorp, Inc. – MD	Howard	2.7
Clifton Bancorp, Inc. – NJ	Passaic	4.9
Coastway Bancorp, Inc. – RI	Kent	4.0
Elmira Savings Bank – NY	Chemung	5.1
Malvem Bancorp, Inc. – PA	Chester	3.4
Pathfinder Bancorp, Inc. – NY	Ocean	6.7
PB Bancorp, Inc. – CT	Windham	4.1
Prudential Bancorp, Inc. – PA	Philadelphia	5.9
Wellesley Bancorp, Inc. – MA	Norfolk	2.4
Western New England – MA	Hampden	3.8

(1) Unemployment rates are not seasonally adjusted.

Source: SNL Financial, LC; Department of Labor.

5. Dividends

At this time the Bank has not established a dividend policy. Future declarations of dividends by the Board of Directors will depend upon a number of factors, including investment opportunities, growth objectives, financial condition, profitability, tax considerations, minimum capital requirements, regulatory limitations, stock market characteristics and general economic conditions.

Six out of the ten Peer Group companies pay regular cash dividends, with implied dividend yields ranging from 0.58% to 4.28%. The average dividend yield on the stocks of the Peer Group institutions equaled 0.92% as of February 24, 2017. Comparatively, as of February 24, 2017, the average dividend yield on the stocks of all fully-converted publicly-traded thrifts equaled 1.56%.

Our valuation adjustment for dividends for Ponce Bank also considered the regulatory policy with regard to payment of dividends to the MHC. Under current FRB and OCC policy, any dividends declared by the Company would be required to be paid to all shareholders. Accordingly, dividends paid by the Company would increase the amount of assets held by the MHC, after adjusting for applicable income taxes, and, thereby, increase the implied dilution incurred by the minority shareholders in a second-step conversion pursuant to the calculation to account for net assets held by the MHC in a second-step offering.

Overall, while the Bank has not established a definitive dividend policy prior to its stock offering, the Bank will have the capacity to pay a dividend comparable to the Peer Group's average dividend yield based on pro forma earnings and capitalization. At the same time, dividend payments retained by the MHC would increase the implied dilution to minority shareholders in a second-step offering. On balance, we concluded that a slight downward adjustment was warranted for purposes of the Bank's dividend policy.

6. Liquidity of the Shares

The Peer Group is by definition composed of companies that are traded in the public markets. All ten of the Peer Group members trade on the NASDAQ system. Typically, the number of shares outstanding and market capitalization provides an indication of how much liquidity there will be in a particular stock. The market capitalization of the Peer Group companies ranged from \$59.1 million to \$376.0 million as of February 24, 2017, with average and median market values of \$139.4 million and \$81.6 million, respectively. The shares issued and outstanding of the Peer Group companies ranged from 2.5 million to 30.4 million, with average and median shares outstanding of 10.1 million and 7.2 million, respectively. The Bank's stock offering is expected to have a pro forma public market value and shares

outstanding of public shareholders that will be similar to the median market values and shares outstanding indicated for the Peer Group companies. Like all of the Peer Group companies, the Bank's stock will be quoted on the NASDAQ following the stock offering. Overall, we anticipate that the Bank's public stock will have a comparable trading market as the Peer Group companies on average and, therefore, concluded no adjustment was necessary for this factor.

7. Marketing of the Issue

Three separate markets exist for thrift stocks: (1) the after-market for public companies, both fully-converted stock companies and MHCs, in which trading activity is regular and investment decisions are made based upon financial condition, earnings, capital, ROE, dividends and future prospects; (2) the new issue market in which converting thrifts are evaluated on the basis of the same factors but on a pro forma basis without the benefit of prior operations as a publicly-held company and stock trading history; and (3) the thrift acquisition market. All three of these markets were considered in the valuation of the Bank's to-be-issued stock.

A. The Public Market

The value of publicly-traded thrift stocks is easily measurable, and is tracked by most investment houses and related organizations. Exhibit IV-1 provides pricing and financial data on all publicly-traded thrifts. In general, thrift stock values react to market stimuli such as interest rates, inflation, perceived industry health, projected rates of economic growth, regulatory issues and stock market conditions in general. Exhibit IV-2 displays historical stock market trends for various indices and includes historical stock price index values for thrifts and commercial banks. Exhibit IV-3 displays various stock price indices as of February 24, 2017.

In terms of assessing general stock market conditions, the overall stock market has trended higher in recent quarters. The broader stock market rallied higher at the start of July 2016, with the stronger-than-expected job growth reflected in the June employment report propelling the S&P 500 to a record high close. Stocks continued to trend higher going in the second half of July, as a string of economic data releases that showed improvement in home building, retail sales and job creation helped to propel the Dow Jones Industrial Average (the "DJIA") higher for nine consecutive sessions. Following the extended rally, the DJIA closed lower for seven consecutive sessions going into early-August. A decline in oil prices amid

concerns of a glut in the supply of oil and weaker-than-expected second quarter GDP growth were factors that contributed to the downturn in the broader stock market. A rally in energy and financial shares helped to snap the seven day losing streak in the DJIA ahead of the July employment report. Better-than-expected job growth reflected in the July employment report fueled a rally in the broader stock market to close out the first week of trading in August. All three major stock indexes closed at record highs in mid-August, led by gains in commodity-linked shares. The broader stock market eased lower during the second half of August with the DJIA finishing down for the month of August, which snapped a six-month winning streak for the DJIA. Some lackluster data for the U.S. economy provided for a narrow trading range in the broader stock market in early-September, as investors reassessed the likelihood of a rate increase in the near term. Volatility prevailed in the broader stock market in mid-September, based on various hawkish and dovish comments from Federal Reserve officials for a near term rate hike. Stocks rebounded after the Federal Reserve concluded its September meeting leaving interest rates unchanged and then seesawed higher and lower to close out the third quarter. Overall, all three of the major U.S. stock indexes posted gains for the third quarter.

Stocks traded unevenly at the start of the fourth quarter of 2016, as investors reacted to third quarter earnings reports that had varied results. Consumer shares weighed on the broader stock market in the second half of October, following a string of disappointing earnings reports coming out of the consumer sector and a downbeat outlook for the rest of 2016. The DJIA fell for a third month in a row to close out October, with a monthly decline of 0.9%. Stocks extended their losing streak in early-November, as investors reacted to tightening polls for the presidential election. News of the FBI finding no new evidence to warrant charges against Democratic candidate Hillary Clinton sent stocks sharply higher the day before the presidential election. However, investors embraced Trump's election, as stocks surged higher based on expectations for reduced corporate taxes and regulation and greater infrastructure spending under a Trump administration. Following seven consecutive sessions of closing higher, the DJIA closed down in mid-November 2016 as investors pared gains in shares that led the post-election stock market rally. The post-election stock market rally resumed during the second half of November, as U.S. stocks notched new record highs. Overall, the DJIA finished up 5.4% for the month of November. Led by gains in financial shares, stocks continued to surge higher during the first half of December. Stocks retreated after the Federal Reserve raised its target rate by a quarter of a percentage point at the conclusion of its mid-December policy meeting. After trading in a narrow range heading into late-December, stocks slumped in the final trading days of 2016. However, overall, the major U.S. stock indexes posted solid gains for 2016, with the DJIA and NASDAQ increasing 13.4% and 7.5%, respectively, in 2016.

Bank and healthcare stocks led the stock market higher at the start of 2017, as the DJIA approached the 20000 milestone in the first week of trading during 2017. Stocks traded in a narrow range heading into the fourth quarter earnings season and then edged lower in mid-January, as investors weighed both the timing and ultimate impact of expected policy changes from the Trump administration. The DJIA closed above 20000 for the first time in late-January, as President Trump's moves during his first week in office to promote infrastructure spending and cut regulation propelled stocks higher. Stocks stumbled at the end of January, as President Trump's restriction on immigration took a toll on the stock market's optimism. The broader stock market rebounded during the first half of February, as the major U.S. stock indexes moved to fresh highs in response to President Trump taking action to scale back financial regulations and advancing campaign promises to lower taxes. Data pointing towards continuing growth in the U.S. economy sustained the bull market in the second half of February, as the DJIA notched eleven consecutive closing record highs through February 24, 2017. On February 24, 2017, the DJIA closed at 20821.76, an increase of 25.1% from one year ago and an increase of 5.4% year-to-date, and the NASDAQ closed at 5845.31, an increase of 27.3% from one year ago and an increase of 8.6% year-to-date. The Standard & Poor's 500 Index closed at 2367.34 on February 24, 2017, an increase of 21.5% from one year ago and an increase of 8.6% year-to-date.

The market for thrift stocks has also generally trended higher in recent quarters. Thrift stocks participated in the broader stock market rally at the start of July 2016, with the strong jobs report for June fueling additional gains for the thrift sector. Some stronger-than-expected second quarter earnings reports coming out of the banking sector, along with favorable data on the U.S. economy, helped to sustain the positive trend in thrift shares going into the second half of July. Financial shares traded in a narrow range to closeout July and into early-August, as the Federal Reserve concluded its late-July policy meeting with no change in its target interest rate as expected. Financial shares posted healthy gains on the heels of the favorable jobs report for July, as the S&P 500's financial sector moved into positive territory for the first time in 2016. After trading in a narrow range into the second half of August, some favorable housing data helped thrift shares to rally in late-August. The positive trend in thrift stocks continued into early-September, as a slowdown in August job growth reduced expectations that the Federal Reserve would soon raise rates. Thrift shares followed the broader stock market lower in mid-September, as investors reacted to oil prices moving to a one-month low. For the balance of September, thrift shares traded in a narrow range.

In advance of third quarter earnings reports, thrift shares remained stable during the first half of October 2016. Financial shares led the stock market higher heading into the second half of October, in light of third quarter earnings reports generally offering fresh evidence of profitability improving for banks. Thrift stocks were largely trendless through the end of October and then pulled back along with the broader stock market in early-November. Bank and thrift stocks were among the strongest performers in leading the post-election stock market rally, reflecting investor expectations for reduced regulation of the banking sector. Financial shares retreated along with the broader stock market following the mid-December rate hike by the Federal Reserve. While thrift shares traded in a tight range in the closing weeks of 2016, the SNL Index for all publicly-traded thrifts finished 2016 with a gain of 19.49% in which the substantial portion of the gains occurred following the presidential election.

Financial shares led the stock market higher at the start of 2017, which was followed by a pullback as investors dumped shares of financial companies and bought government bonds. Despite generally favorable fourth quarter earnings reports posted by the money center banks, the downturn in financial shares continued heading into the second half of January. Financial shares paralleled trends in the broader stock market in late-January and then led the stock market rally in early-February following action by President Trump to scale back financial regulations. Financial shares also led the market lower heading into mid-February, as investors reacted to a flattening of the yield curve. Data indicating the U.S. economy was poised for additional growth contributed to thrift stocks rallying along with the broader stock market during the second half of February. On February 24, 2017, the SNL Index for all publicly-traded thrifts closed at 954.4, an increase of 25.4% from one year ago and a decrease of 1.3% year-to-date.

B. The New Issue Market

In addition to thrift stock market conditions in general, the new issue market for converting thrifts is also an important consideration in determining the Bank's pro forma market value. The new issue market is separate and distinct from the market for seasoned thrift stocks in that the pricing ratios for converting issues are computed on a pro forma basis, specifically:

(1) the numerator and denominator are both impacted by the conversion offering amount, unlike existing stock issues in which price change affects only the numerator; and (2) the pro forma pricing ratio incorporates assumptions regarding source and use of proceeds, effective tax rates, stock plan purchases, etc. which impact pro forma financials, whereas pricing for existing issues are based on reported financials. The distinction between pricing of converting and existing issues is perhaps no clearer than in the case of the price/book ("P/B") ratio in that the P/B ratio of a converting thrift will typically result in a discount to book value whereas in the current market for existing thrifts the P/B ratio often reflects a premium to book value. Therefore, it is appropriate to also consider the market for new issues, both at the time of the conversion and in the aftermarket.

As shown in Table 4.2, two standard conversion offerings were completed during the past three months. No first-step MHC offerings were completed during the past three months. The most recent first-step MHC offering was completed by HarborOne Bancorp of Massachusetts, which completed its mutual holding company offering on June 30, 2016. HarborOne Bancorp's offering was closed at the top of its offering range equal to gross proceeds of \$144.5 million and a pro forma fully-converted price/tangible book ratio of 71.6%. After the first week of trading, HarborOne Bancorp's stock price was up 29.2% from its IPO price.

Shown in Table 4.3 is the current pricing ratios for HV Bancorp, Inc., which was the only fully-converted offering completed during the past three months that trades on NASDAQ. HV Bancorp's current P/TB ratio is 99.37%, based on its closing stock price as of February 24, 2017.

C. The Acquisition Market

Also considered in the valuation was the potential impact on Ponce Bank's stock price of recently completed and pending acquisitions of other savings institutions operating in New York. As shown in Exhibit IV-4, there were three New York thrift acquisitions completed from the beginning of 2013 through year-to-date 2017, and there is currently one acquisition pending for a New York savings institution. To the extent that speculation of a re-mutualization may impact the Bank's valuation, we have largely taken this into account in selecting companies for the Peer Group which operate in markets that have experienced a comparable level of acquisition activity as the Bank's market and, thus, are subject to the same type of acquisition speculation

that may influence the Company's stock. However, since converting thrifts are subject to a three-year regulatory moratorium from being acquired, acquisition speculation in the Company's stock would tend to be less compared to the stocks of the Peer Group companies. Furthermore, in comparison to the stocks of the fully-converted Peer Group companies, the degree of acquisition speculation in the Company's stock is also viewed to be relatively more limited since there will be fewer potential acquirers for the Company's stock as a re-mutualization transaction can only be completed by a mutual institution or an institution in the MHC form of ownership. Additionally, there tends to be less acquisition speculation in the stocks of publicly-traded MHCs in general, given the majority of the shares are held by the MHC rather than public shareholders which own 100% of the stocks of the fully-converted Peer Group companies. Accordingly, the Peer Group companies are considered to be subject to a greater degree of acquisition speculation relative to the acquisition speculation that may influence the Company's trading price.

* * * * *

In determining our valuation adjustment for marketing of the issue, we considered trends in both the overall thrift market, the new issue market including the new issue market for MHC shares and the local acquisition market for thrift stocks. Taking these factors and trends into account, RP Financial concluded that no adjustment was appropriate in the valuation analysis for purposes of marketing of the issue.

8. Management

Ponce Bank's management team appears to have experience and expertise in all of the key areas of the Bank's operations. Exhibit IV-5 provides summary resumes of Ponce Bank's Board of Directors and senior management. The financial characteristics of the Bank suggest that the Board and senior management have been effective in implementing an operating strategy that can be well managed by the Bank's present organizational structure. The Bank currently does not have any senior management positions that are vacant.

Similarly, the returns, capital positions and other operating measures of the Peer Group companies are indicative of well-managed financial institutions, which have Boards and management teams that have been effective in implementing competitive operating strategies. Therefore, on balance, we concluded no valuation adjustment relative to the Peer Group was appropriate for this factor.

9. Effect of Government Regulation and Regulatory Reform

In summary, as a federally-insured savings institution operating in the MHC form of ownership, Ponce Bank will be operating in substantially the same regulatory environment as the Peer Group members — all of whom are adequately capitalized institutions and the substantial majority are operating with no apparent restrictions. Exhibit IV-6 reflects the Bank's pro forma regulatory capital ratios. Accordingly, no adjustment has been applied for the effect of government regulation and regulatory reform.

Summary of Adjustments

Overall, based on the factors discussed above, we concluded that the Bank's pro forma market value should reflect the following valuation adjustments relative to the Peer Group:

<u>Key Valuation Parameters:</u>	<u>Valuation Adjustment</u>
Financial Condition	No Adjustment
Profitability, Growth and Viability of Earnings	Moderate Downward
Asset Growth	Slight Upward
Primary Market Area	No Adjustment
Dividends	Slight Downward
Liquidity of the Shares	No Adjustment
Marketing of the Issue	No Adjustment
Management	No Adjustment
Effect of Government Regulations and Regulatory Reform	No Adjustment

Valuation Approaches: Fully-Converted Basis

In applying the accepted valuation methodology promulgated by the OCC and the FRB, i.e., the pro forma market value approach, we considered the three key pricing ratios in valuing the Company's to-be-issued stock — price/earnings ("P/E"), price/book ("P/B"), and price/assets ("P/A") approaches — all performed on a pro forma basis including the effects of the stock proceeds. In computing the pro forma impact of the conversion and the related pricing ratios, we have incorporated the valuation parameters disclosed in the Company's prospectus for reinvestment rate, effective tax rate, stock benefit plan assumptions, the Foundation and

offering expenses (summarized in Exhibits IV-9 and IV-10). The assumptions utilized in the pro forma analysis in calculating the Bank's full conversion value were consistent with the assumptions utilized for the minority stock offering, except expenses were assumed to equal 2.5% of gross proceeds (summarized in Exhibits IV-7 and IV-8).

In our estimate of value, we assessed the relationship of the pro forma pricing ratios relative to the Peer Group, recent conversions and publicly-traded MHCs on a fully-converted basis.

RP Financial's valuation placed an emphasis on the following:

- P/E Approach. The P/E approach is generally the best indicator of long-term value for a stock. At the same time, recognizing that (1) the earnings multiples will be evaluated on a pro forma fully-converted basis for the Bank; and (2) the Peer Group on average has had the opportunity to realize the benefit of reinvesting net conversion proceeds, we also gave weight to the other valuation approaches.
- P/B Approach. P/B ratios have generally served as a useful benchmark in the valuation of thrift stocks, particularly in the context of an initial public offering, as the earnings approach involves assumptions regarding the use of proceeds. RP Financial considered the P/B approach to be a valuable indicator of pro forma value taking into account the pricing ratios under the P/E and P/A approaches. We have also modified the P/B approach to exclude the impact of intangible assets (i.e., price/tangible book value or "P/TB"), in that the investment community frequently makes this adjustment in its evaluation of this pricing approach.
- P/A Approach. P/A ratios are generally a less reliable indicator of market value, as investors typically assign less weight to assets and attribute greater weight to book value and earnings. Furthermore, this approach as set forth in the regulatory valuation guidelines does not take into account the amount of stock purchases funded by deposit withdrawals, thus understating the pro forma P/A ratio. At the same time, the P/A ratio is an indicator of franchise value, and, in the case of highly capitalized institutions, high P/A ratios may limit the investment community's willingness to pay market multiples for earnings or book value when ROE is expected to be low.

The Bank will adopt "Employers' Accounting for Employee Stock Ownership Plans" ("ASC 718-40"), which will cause earnings per share computations to be based on shares issued and outstanding excluding unreleased ESOP shares. For purposes of preparing the pro forma pricing analyses, we have reflected all shares issued in the offering, including all ESOP shares, to capture the full dilutive impact, particularly since the ESOP shares are economically dilutive, receive dividends and can be voted. However, we did consider the impact of ASC 718-40 in the valuation.

Based on the application of the three valuation approaches, taking into consideration the valuation adjustments discussed above and the dilutive impact of the stock contribution to the Foundation, RP Financial concluded that as of February 24, 2017, the pro forma market value of Ponce Bank's full conversion offering equaled \$139,607,030 at the midpoint, equal to 13,960,703 shares at \$10.00 per share.

Basis of Valuation - Fully-Converted Pricing Ratios

1. Price-to-Earnings ("P/E"). The application of the P/E valuation method requires calculating the Bank's pro forma market value by applying a valuation P/E multiple (fully-converted basis) to the pro forma earnings base. In applying this technique, we considered both reported earnings and a recurring earnings base, that is, earnings adjusted to exclude any one-time non-operating items, plus the estimated after-tax earnings benefit of the reinvestment of the net proceeds. The Bank's reported earnings equaled \$1.425 million for the twelve months ended December 31, 2016 and were also viewed to be representative of the Bank's core earnings.

Based on Ponce Bank's reported and core earnings and incorporating the impact of the pro forma assumptions discussed previously, the Bank's pro forma reported and core P/E multiples (fully-converted basis) at the \$139.6 million midpoint value both equaled 145.85 times, which provided for premiums of 706.25% and 621.67% relative to the Peer Group's average reported and core P/E multiples of 18.09 times and 20.21 times, respectively (see Table 4.4). In comparison to the Peer Group's median reported and core earnings multiples which equaled 19.03 times and 20.67 times, respectively, the Banks pro forma reported and core P/E multiples (fully-converted basis) at the midpoint value indicated premiums of 666.42% and 605.61%, respectively. The Bank's pro forma P/E ratios (fully-converted basis) at the minimum and the super maximum equaled 115.55 times and 228.77 times, respectively.

On an MHC reported basis, the Bank's reported and core P/E multiples at the midpoint value of \$139.6 million both equaled 123.76 times (see Table 4.5). The Bank's reported and core P/E multiples provided for premiums of 584.13% and 512.37% relative to the Peer Group's average reported and core P/E multiples of 18.09 times and 20.21 times, respectively. In comparison to the Peer Group's median reported and core earnings multiples which equaled 19.03 times and 20.67 times, respectively, the Bank's pro forma reported and core P/E multiples (MHC basis) at the midpoint value indicated premiums of 550.34% and 498.74%, respectively.

The Bank's pro forma P/E ratios (MHC basis) at the minimum and the super maximum equaled 101.60 times and 177.18 times, respectively.

2. Price-to-Book ("P/B"). The application of the P/B valuation method requires calculating the Bank's pro forma market value by applying a valuation P/B ratio, as derived from the Peer Group's P/B ratio, to Ponce Bank's pro forma book value (fully-converted basis). Based on the \$139.6 million midpoint valuation, Ponce Bank's pro forma P/B and P/TB ratios (fully-converted basis) both equaled 66.71%, respectively. In comparison to the average P/B and P/TB ratios for the Peer Group of 120.30% and 128.46%, respectively, the Bank's ratios reflected a discount of 44.55% on a P/B basis and a discount of 48.07% on a P/TB basis. In comparison to the Peer Group's median P/B and P/TB ratios of 123.16% and 123.96%, respectively, the Bank's pro forma P/B and P/TB ratios (fully-converted basis) at the midpoint value reflected discounts of 45.83% and 46.18%, respectively. At the top of the super range, the Bank's P/B and P/TB ratios (fully-converted basis) both equaled 74.79%. In comparison to the Peer Group's average P/B and P/TB ratios, the Bank's P/B and P/TB ratios at the top of the super range reflected discounts of 37.83% and 41.78%, respectively. In comparison to the Peer Group's median P/B and P/TB ratios, the Bank's P/B and P/TB ratios at the top of the super range reflected discounts of 39.27% and 39.67%, respectively. RP Financial considered the discounts under the P/B approach to be reasonable, given the nature of the calculation of the P/B ratio which mathematically results in a ratio discounted to book value. The discounts reflected under the P/B approach were also supported by the significant premiums reflected in the Bank's P/E multiples.

On an MHC reported basis, the Bank's P/B and P/TB ratios at the \$139.6 million midpoint value both equaled 95.42%. In comparison to the average P/B and P/TB ratios indicated for the Peer Group of 120.30% and 128.46%, respectively, Ponce Bank's ratios were discounted by 20.68% on a P/B basis and 25.75% on a P/TB basis. In comparison to the Peer Group's median P/B and P/TB ratios of 123.16% and 123.96%, respectively, the Bank's pro forma P/B and P/TB ratios (MHC basis) at the midpoint value reflected discounts of 22.52% and 23.02%, respectively. At the top of the super range, the Bank's P/B and P/TB ratios (MHC basis) both equaled 112.36%. In comparison to the Peer Group's average P/B and P/TB ratios, the Bank's P/B and P/TB ratios at the top of the super range reflected discounts of 6.60% and 12.53%, respectively. In comparison to the Peer Group's median P/B and P/TB ratios, the Bank's P/B and P/TB ratios at the top of the super range reflected discounts of 8.77% and 9.36%, respectively.

3. Price-to-Assets (“P/A”). The P/A valuation methodology determines market value by applying a valuation P/A ratio (fully-converted basis) to the Bank’s pro forma asset base, conservatively assuming no deposit withdrawals are made to fund stock purchases. In all likelihood there will be deposit withdrawals, which results in understating the pro forma P/A ratio which is computed herein. At the \$139.6 million midpoint of the valuation range, Ponce Bank’s pro forma P/A ratio (fully-converted basis) equaled 16.16% of pro forma assets. Comparatively, the Peer Group companies exhibited an average P/A ratio of 15.05%, which implies a premium of 7.38% has been applied to the Bank’s pro forma P/A ratio. In comparison to the Peer Group’s median P/A ratio of 13.49%, the Bank’s pro forma P/A ratio (fully-converted basis) at the midpoint value reflects a premium of 19.79%.

On an MHC reported basis, Ponce Bank’s pro forma P/A ratio at the \$139.6 million midpoint value equaled 17.42%. In comparison to the Peer Group’s average P/A ratio of 15.05%, Ponce Bank’s P/A ratio (MHC basis) indicated a premium of 15.75%. In comparison to the Peer Group’s median P/A ratio of 13.49%, the Bank’s pro forma P/A ratio (MHC basis) at the midpoint value reflects a premium of 29.13%.

Comparison to Publicly-Traded MHCs

As indicated in Chapter III, we believe there are a number of characteristics of MHC shares that make them different from the shares of fully-converted companies. These factors include: (1) lower aftermarket liquidity in the MHC shares since less than 50% of the shares are available for trading; (2) no opportunity for public shareholders to exercise voting control; (3) the potential pro forma impact of second-step conversions on the pricing of MHC institutions; and (4) the regulatory policies regarding the accounting for net assets held by the MHC in a second-step conversion and, thereby, lessening the attractiveness of paying cash dividends. The above characteristics of MHC shares have provided MHC stocks with different trading characteristics versus fully-converted companies. To account for the unique trading characteristics of MHC shares, RP Financial has placed the financial data and pricing ratios of the publicly-traded MHCs on a fully-converted basis to make them comparable for valuation purposes. Using the per share and pricing information of the publicly-traded MHCs on a fully-converted basis accomplishes a number of objectives. First, such figures eliminate distortions that result when

trying to compare institutions that have different public ownership interests outstanding. Secondly, such an analysis provides ratios that are comparable to the pricing information of fully-converted public companies and are directly applicable to determining the pro forma market value range of the 100% ownership interest in Ponce Bank as an MHC. This technique is validated by the investment community's evaluation of MHC pricing, which also incorporates the pro forma impact of a second-step conversion based on the current market price.

To calculate the fully-converted pricing information for MHCs, the reported financial information for the public MHCs incorporates the following assumptions: (1) all shares owned by the MHC are assumed to be sold at the current trading price in a second step-conversion; (2) the gross proceeds from such a sale are adjusted to reflect reasonable offering expenses and standard stock based benefit plan parameters that would be factored into a second-step conversion of an MHC institution; and (3) net proceeds are assumed to be reinvested at market rates on a tax effected basis. Book value per share and earnings per share figures for the public MHCs were adjusted by the impact of the assumed second step-conversion, resulting in an estimation of book value per share and earnings per share figures on a fully-converted basis. Table 4.6 on the following page shows the calculation of per share financial data (fully-converted basis) for each of the eight publicly-traded MHC institutions.

The table below shows a comparative pricing analysis of the publicly-traded MHCs on a fully-converted basis versus the Bank's Peer Group. In comparison to the Peer Group's P/TB ratio, the P/TB ratio of the publicly-traded MHCs reflected a discount of 26.49%. In comparison to the Peer Group's core P/E multiple, the core P/E multiple of the publicly-traded MHCs reflected a premium of 155.81%. Detailed pricing characteristics of the fully-converted MHCs is shown in Table 4.7.

	Publicly-Traded MHCs	Peer Group
<u>Pricing Ratios (Averages)(1)</u>		
Core price/earnings (x)	51.70x	20.21x
Price/tangible book (%)	94.43%	128.46%
Price/assets (%)	21.76	15.05

(1) Based on market prices as of February 24, 2017.

In comparison to the publicly-traded MHCs, the Bank's pro forma P/TB ratio (fully-converted basis) of 66.71% at the midpoint of the valuation range reflected a discount of 29.36%. At the top of the super range, the Bank's P/TB ratio (fully-converted basis) of 74.79% reflected a discount of 20.80%. In comparison to the publicly-traded MHCs, the Bank's pro forma core P/E multiple (fully-converted basis) of 145.85 times at the midpoint of the valuation range reflected a premium of 182.11%. At the top of the super range, the Bank's core P/E multiple (fully-converted basis) of 228.77 times reflected a premium of 342.50%.

It should be noted that in a comparison of the publicly-traded MHCs to Ponce Bank, the publicly-traded MHCs maintain certain inherent characteristics in support of increasing the attractiveness of their stocks relative to Ponce Bank's stock as an MHC that will just be completing an IPO: (1) the seasoned publicly-traded MHCs are viewed as potential candidates to complete a second-step offering; and (2) some of the publicly-traded MHCs have been grandfathered to waive dividend payments to the MHC pursuant to receiving an annual majority vote by the depositors to approve the waiver of dividends.

Comparison to Recent MHC Offerings

As indicated at the beginning of this chapter, RP Financial's analysis of recent conversion offering pricing characteristics at closing and in the aftermarket has been limited to a "technical" analysis and, thus, the pricing characteristics of recent conversion offerings can not be a primary determinate of value. Particular focus was placed on the P/TB approach in this analysis, since the P/E multiples do not reflect the actual impact of reinvestment and the source of the stock proceeds (i.e., external funds vs. deposit withdrawals). The most recent first-step MHC offering that is comparable to Ponce Bank's first-step MHC offering was completed by HarborOne Bancorp, Inc. of Brockton, Massachusetts. HarborOne Bancorp's offering, which closed in June 2016, raised gross proceeds of \$144.5 million through the sale of 45.0% of its stock in a public offering. HarborOne Bancorp's offering closed at the top of the super range at a fully-converted pro forma price/tangible book ratio of 71.60%. In comparison, the Bank's pro forma fully-converted price/tangible book ratio at the midpoint value reflects an implied discount of 6.83% and at the top of the range reflects an implied premium of 4.46%.

Valuation Conclusion

Based on the foregoing, it is our opinion that, as of February 24, 2017, the estimated aggregate pro forma market value of the shares to be issued immediately following the conversion, both shares issued publicly as well as to the MHC, equaled \$139,607,030 at the

midpoint, equal to 13,960,703 shares offered at a per share value of \$10.00. Pursuant to conversion guidelines, the 15% offering range indicates a minimum value of \$118,665,980 and a maximum value of \$160,548,080. Based on the \$10.00 per share offering price determined by the Board, this valuation range equates to total shares outstanding of 11,866,598 at the minimum and 16,054,808 at the maximum. In the event the appraised value is subject to an increase, the aggregate pro forma market value may be increased up to a super maximum value of \$184,630,290 without a resolicitation. Based on the \$10.00 per share offering price, the super maximum value would result in total shares outstanding of 18,463,029. The Board of Directors has established a public offering range such that the public ownership of the Bank will constitute a 45.0% ownership interest prior to the issuance of shares to the Foundation. Accordingly, the offering to the public of the minority stock will equal \$53,399,690 at the minimum, \$62,823,160 at the midpoint, \$72,246,630 at the maximum and \$83,083,620 at the super maximum of the valuation range. Based on the public offering range and inclusive of the shares issued to the Foundation, equal to 3.3% of the shares issued in the stock issuance, the public ownership of shares will represent 48.3% of the shares issued throughout the valuation range. The pro forma valuation calculations relative to the Peer Group (fully-converted basis) are shown in Table 4.4 and are detailed in Exhibit IV-7 and Exhibit IV-8; the pro forma valuation calculations relative to the Peer Group based on reported financials are shown in Table 4.5 and are detailed in Exhibits IV-9 and IV-10.

Table 1.1
Ponce Bank
Historical Balance Sheet Data

	At December 31,										12/31/12- 12/31/16 Annual Growth Rate Pct
	2012		2013		2014		2015		2016		
	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)	
Total Amount of:											
Assets	\$761,544	100.00%	\$730,644	100.00%	\$706,414	100.00%	\$703,157	100.00%	\$744,983	100.00%	-0.55%
Cash and cash equivalents	21,141	2.78%	12,752	1.75%	15,849	2.24%	12,694	1.81%	11,716	1.57%	-13.72%
Investment securities/CDs	108,693	14.27%	102,305	14.00%	100,574	14.24%	82,034	11.67%	52,690	7.07%	-16.56%
Loans held for sale	—	0.00%	5,667	0.78%	2,707	0.38%	3,303	0.47%	2,143	0.29%	NM
Loans receivable, net	584,606	76.77%	561,623	76.87%	543,289	76.91%	567,662	80.73%	642,148	86.20%	2.37%
FHLB stock	1,124	0.15%	1,596	0.22%	1,267	0.18%	1,162	0.17%	964	0.13%	-3.77%
Core deposit intangible	564	0.07%	420	0.06%	276	0.04%	132	0.02%	3	0.00%	-72.99%
Deposits	\$666,851	87.57%	\$627,060	85.82%	\$599,697	84.89%	\$599,506	85.26%	\$643,078	86.32%	-0.90%
Borrowings	—	0.00%	11,000	1.51%	10,000	1.42%	8,000	1.14%	3,000	0.40%	NM
Equity	\$ 86,147	11.31%	\$ 87,711	12.00%	\$ 89,600	12.68%	\$ 91,062	12.95%	\$ 92,992	12.48%	1.93%
Tangible equity	\$ 85,583	11.24%	\$ 87,291	11.95%	\$ 89,324	12.64%	\$ 90,930	12.93%	\$ 92,989	12.48%	2.10%
Loans/Deposits		87.67%		89.56%		90.59%		94.69%		99.86%	
Number of offices	12		13		13		13		13		

(1) Ratios are as a percent of ending assets.

Sources: Ponce Bank's prospectus, audited and unaudited financial statements, SNL Financial and RP Financial calculations.

Table 1.2
Ponce Bank
Historical Income Statements

	For the Year Ended December 31,									
	2012		2013		2014		2015		2016	
	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)	Amount (\$000)	Pct(1) (%)
Interest income	\$ 41,078	5.33%	\$ 37,162	4.98%	\$ 35,495	4.93%	\$ 33,590	4.70%	\$ 33,741	4.65%
Interest expense	(9,504)	-1.23%	(7,701)	-1.03%	(5,730)	-0.80%	(5,650)	-0.79%	(5,936)	-0.82%
Net interest income	\$ 31,574	4.10%	\$ 29,461	3.95%	\$ 29,765	4.14%	\$ 27,940	3.91%	\$ 27,805	3.83%
Provision for loan losses	(5,132)	-0.67%	(3,426)	-0.46%	(1,183)	-0.16%	(353)	-0.05%	57	0.01%
Net interest income after provisions	\$ 26,442	3.43%	\$ 26,035	3.49%	\$ 28,582	3.97%	\$ 27,587	3.86%	\$ 27,862	3.84%
Non-interest operating income	\$ 3,042	0.39%	\$ 3,106	0.42%	\$ 2,749	0.38%	\$ 2,462	0.34%	\$ 2,431	0.34%
Operating expense	(23,970)	-3.11%	(24,671)	-3.31%	(25,797)	-3.59%	(26,216)	-3.67%	(27,863)	-3.84%
Net operating income	\$ 5,514	0.72%	\$ 4,470	0.60%	\$ 5,534	0.77%	\$ 3,833	0.54%	\$ 2,430	0.34%
Net income before tax	\$ 5,514	0.72%	\$ 4,470	0.60%	\$ 5,534	0.77%	\$ 3,833	0.54%	\$ 2,430	0.34%
Income tax provision	(1,424)	-0.18%	(2,015)	-0.27%	(2,998)	-0.42%	(1,315)	-0.18%	(1,005)	-0.14%
Net income (loss)	\$ 4,090	0.53%	\$ 2,455	0.33%	\$ 2,536	0.35%	\$ 2,518	0.35%	\$ 1,425	0.20%
Adjusted Earnings										
Net income	\$ 4,090	0.53%	\$ 2,455	0.33%	\$ 2,536	0.35%	\$ 2,518	0.35%	\$ 1,425	0.20%
Add(Deduct): Non-operating income	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Tax effect (2)	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Adjusted earnings	\$ 4,090	0.53%	\$ 2,455	0.33%	\$ 2,536	0.35%	\$ 2,518	0.35%	\$ 1,425	0.20%
Expense Coverage Ratio (3)	1.32x		1.19x		1.15x		1.07x		1.00x	
Efficiency Ratio (4)	69.27%		75.74%		79.42%		86.35%		92.09%	

(1) Ratios are as a percent of average assets.

(2) Assumes a 34.0% effective tax rate.

(3) Expense coverage ratio calculated as net interest income before provisions for loan losses divided by operating expenses.

(4) Efficiency ratio calculated as operating expenses divided by the sum of net interest income before provisions for loan losses plus non-interest operating income.

Sources: Ponce Bank's prospectus, audited & unaudited financial statements, SNL Financial and RP Financial calculations.

Table 3.1
Peer Group of Publicly-Traded Thrifts
As of September 30, 2016

Ticker	Financial Institution	Exchange	City	State	Total Assets (\$Mil)	Offices	Fiscal Year End	Conv. Date	As of February 24, 2017	
									Stock Price (\$)	Market Value (\$Mil)
BYBK	Bay Bancorp, Inc.	NASDAQ	Columbia	MD	606	14	Dec	1/0/1900	7.50	78.42
CSBK	Clifton Bancorp Inc.	NASDAQ	Clifton	NJ	1,312	13	Mar	4/2/2014	16.33	375.98
CWAY	Coastway Bancorp, Inc.	NASDAQ	Warwick	RI	633	11	Dec	1/15/2014	16.95	74.63
ESBK	Elmira Savings Bank	NASDAQ	Elmira	NY	567	13	Dec	3/1/1985	21.50	59.05
MLVF	Malvern Bancorp, Inc.	NASDAQ	Paoli	PA	821	9	Sep	10/12/2012	20.90	137.11
PBHC	Pathfinder Bancorp, Inc.	NASDAQ	Oswego	NY	717	17	Dec	10/17/2014	14.84	62.87
PBBI	PB Bancorp, Inc.	NASDAQ	Putnam	CT	506	8	Jun	1/8/2016	10.75	84.71
PBIP	Prudential Bancorp, Inc.	NASDAQ	Philadelphia	PA	559	11	Sep	10/10/2013	17.23	155.35
WEBK	Wellesley Bancorp, Inc.	NASDAQ	Wellesley	MA	666	6	Dec	1/26/2012	27.50	68.33
WNEB	Western New England Bancorp, Inc.	NASDAQ	Westfield	MA	1,378	23	Dec	1/4/2007	9.80	297.73

Source: SNL Financial, LC.

Table 3.2
Balance Sheet Composition and Growth Rates
Comparable Institution Analysis
As of September 30, 2016

		Balance Sheet as a Percent of Assets										Balance Sheet Annual Growth Rates						Regulatory Capital					
		Cash & Equivalents	MBS & Invest	BOLI	Net Loans (1)	Deposits	Borrowed Funds	Sub. Debt	Total Equity	Goodwill & Intang	Tangible Equity	Assets	MBS, Cash & Investments	Loans (1)	Deposits	Borrow. & Subdebt	Total Equity	Tangible Equity	Tier 1 Leverage	Tier 1 Risk-Based	Risk-Based Capital		
Ponce Bank	NY																						
December 31, 2016		1.57%	7.20%	0.00%	86.48%	86.32%	0.40%	0.00%	12.48%	0.00%	12.48%	5.95%	-31.83%	12.84%	7.27%	-62.50%	2.12%	2.12%	13.32%	17.96%	19.21%		
All Public Companies																							
Averages		5.61%	16.71%	1.85%	72.30%	73.84%	11.71%	0.46%	12.70%	0.73%	11.97%	14.12%	8.46%	17.61%	15.87%	17.03%	9.70%	8.84%	12.10%	18.28%	19.39%		
Medians		3.82%	14.69%	1.81%	74.94%	73.61%	11.55%	0.00%	11.51%	0.08%	11.02%	10.15%	0.68%	14.36%	11.19%	0.79%	3.79%	3.56%	10.98%	15.40%	16.51%		
State of NY																							
Averages		4.43%	12.78%	1.47%	77.80%	73.53%	14.13%	0.83%	10.05%	1.25%	8.80%	4.77%	-2.84%	6.33%	7.01%	9.13%	7.21%	7.87%	9.54%	14.67%	15.79%		
Medians		1.95%	10.13%	1.53%	78.61%	74.43%	13.30%	0.36%	9.69%	0.81%	8.17%	1.35%	-1.12%	5.60%	2.39%	-4.84%	4.10%	4.90%	9.92%	13.63%	14.98%		
Comparable Group																							
Averages		4.32%	19.07%	2.21%	71.32%	72.52%	13.12%	0.36%	13.05%	0.47%	12.58%	14.24%	16.04%	18.72%	13.19%	27.72%	6.02%	6.88%	12.59%	19.61%	20.53%		
Medians		3.49%	18.01%	2.29%	68.98%	72.05%	13.01%	0.00%	10.85%	0.00%	10.75%	14.28%	14.47%	15.83%	9.34%	14.56%	0.02%	0.38%	11.14%	14.44%	15.57%		
Comparable Group																							
BYBK Bay Bancorp, Inc.	MD	7.63%	8.94%	0.94%	79.63%	87.59%	0.33%	0.00%	10.76%	0.54%	10.22%	27.88%	93.65%	21.24%	39.18%	-90.55%	-2.48%	-3.28%	10.84%	13.13%	13.62%		
CSBK																							
Clifton Bancorp Inc.	NJ	1.73%	25.04%	4.64%	67.18%	58.86%	17.11%	0.00%	23.08%	0.00%	23.08%	13.72%	-13.10%	30.17%	13.80%	81.05%	10.46%	-10.46%	23.15%	42.34%	43.07%		
CWAY Coastway Bancorp, Inc.	RI	4.02%	1.19%	0.70%	87.32%	61.77%	26.24%	0.00%	10.95%	0.00%	10.95%	19.78%	39.17%	21.29%	9.16%	75.71%	-2.04%	-2.04%	9.25%	12.44%	12.98%		
ESBK Elmina Savings Bank	NY	2.04%	9.48%	2.38%	81.02%	81.67%	7.40%	0.00%	9.83%	2.18%	7.66%	0.22%	-21.89%	3.98%	4.83%	-33.33%	2.08%	2.80%	8.15%	12.59%	13.78%		
MLVF Malvern Bancorp, Inc.	PA	11.78%	13.68%	2.24%	69.91%	73.31%	14.37%	0.00%	11.52%	0.00%	11.52%	25.25%	-9.31%	46.73%	29.33%	14.56%	16.22%	16.22%	11.45%	15.11%	16.03%		
PBHC Pathfinder Bancorp, Inc.	NY	3.30%	26.04%	1.59%	65.16%	77.41%	11.45%	2.09%	8.27%	0.66%	7.60%	18.10%	30.87%	14.24%	11.84%	182.48%	16.73%	-17.90%	9.69%	13.85%	15.11%		
PBBI PB Bancorp, Inc.	CT	2.75%	40.67%	2.43%	50.56%	70.78%	11.64%	0.00%	16.87%	1.36%	15.51%	8.05%	3.27%	12.17%	1.69%	-3.06%	64.42%	74.30%	12.24%	20.87%	21.72%		
PBIP Prudential Bancorp, Inc.	PA	2.55%	32.37%	2.33%	61.66%	69.56%	9.05%	0.00%	20.38%	0.00%	20.38%	14.84%	25.67%	10.34%	6.61%	NM	-2.56%	-2.56%	20.41%	38.57%	39.70%		
WEBK Wellesley Bancorp, Inc.	MA	3.72%	10.96%	1.09%	82.66%	74.42%	15.36%	1.47%	8.31%	0.00%	8.31%	13.02%	37.08%	9.68%	9.52%	35.17%	7.75%	7.75%	9.28%	12.21%	13.29%		
WNEB Western New England Bancorp, Inc.	MA	3.69%	22.34%	3.73%	68.06%	69.86%	18.25%	0.00%	10.54%	0.00%	10.54%	1.52%	-24.97%	17.43%	5.89%	-12.58%	4.02%	4.02%	11.43%	15.02%	16.02%		

(1) Includes loans held for sale.

Source: SNL Financial, LC. and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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Table 3.3
Income as Percent of Average Assets and Yields, Costs, Spreads
Comparable Institution Analysis
For the 12 Months Ended September 30, 2016

	Net Income (%)	Net Interest Income					NII After Provis. (%)	Non-Interest Income		Total Non-Int Expense (%)	Non-Op. Items		Provision for Taxes (%)	Yields, Costs, and Spreads			MEMO: Assets/ FTE Emp.	MEMO: Effective Tax Rate (%)
		Income (%)	Expense (%)	NII (%)	Loss Provis. on IEA (%)	Recurring Gain on Sale of Loans (%)		Other Non-Int Income (%)	Net Gains/ Losses (1) (%)		Extrao. Items (%)	Yield On IEA (%)		Cost Of IBL (%)	Yld-Cost Spread (%)			
Ponce Bank	NY																	
December 31, 2016	0.20%	4.65%	0.82%	3.83%	-0.01%	3.84%	0.00%	0.34%	3.84%	0.00%	0.00%	0.14%	4.88%	1.06%	3.82%	\$ 4,282	41.36%	
All Public Companies																		
Averages	0.70%	3.54%	0.59%	2.95%	0.07%	2.85%	0.35%	0.54%	2.77%	-0.01%	0.00%	0.27%	3.78%	0.79%	2.99%	\$ 7,034	22.89%	
Medians	0.62%	3.52%	0.56%	2.92%	0.07%	2.86%	0.06%	0.44%	2.65%	0.00%	0.00%	0.28%	3.73%	0.73%	2.96%	\$ 5,792	32.98%	
State of NY																		
Averages	0.54%	3.50%	0.72%	2.78%	0.05%	2.73%	0.19%	0.41%	2.46%	-0.03%	0.00%	0.30%	3.70%	1.09%	2.61%	\$ 8,189	32.08%	
Medians	0.49%	3.56%	0.79%	2.82%	0.07%	2.74%	0.03%	0.43%	2.35%	0.03%	0.00%	0.21%	3.75%	1.00%	2.86%	\$ 5,819	32.84%	
Comparable Group																		
Averages	0.56%	3.48%	0.66%	2.82%	0.13%	2.69%	0.10%	0.39%	2.59%	0.01%	0.00%	0.12%	3.69%	0.86%	2.83%	\$ 7,028	18.38%	
Medians	0.49%	3.45%	0.70%	2.78%	0.11%	2.71%	0.02%	0.36%	2.40%	0.00%	0.00%	0.17%	3.68%	0.89%	2.80%	\$ 6,542	31.42%	
Comparable Group																		
BYBK																		
Bay Bancorp, Inc.	MD	0.33%	4.35%	0.34%	4.01%	0.25%	3.76%	0.17%	0.97%	4.37%	-0.02%	0.00%	0.18%	4.55%	0.52%	4.03%	\$ 4,295	35.66%
CSBK																		
Clifton Bancorp Inc.	NJ	0.36%	3.04%	0.83%	2.20%	0.16%	2.05%	0.00%	0.15%	1.69%	0.01%	0.00%	0.15%	3.26%	1.17%	2.09%	\$ 11,513	29.72%
CWAY																		
Coastway Bancorp, Inc.	RI	0.59%	3.55%	0.44%	3.11%	0.08%	3.03%	0.25%	0.41%	3.43%	0.00%	0.00%	0.39%	3.84%	0.67%	3.17%	\$ 4,423	39.69%
ESBK																		
Elmira Savings Bank	NY	0.77%	3.71%	0.80%	2.92%	0.10%	2.81%	0.53%	0.48%	2.74%	0.03%	0.00%	0.35%	4.08%	1.03%	3.05%	\$ 4,435	31.25%
MLVF																		
Malvern Bancorp, Inc.	PA	1.59%	3.36%	0.89%	2.46%	0.13%	2.33%	0.02%	0.22%	1.85%	0.08%	0.00%	-0.79%	3.57%	1.07%	2.50%	\$ 9,890	-99.83%
PBHC																		
Pathfinder Bancorp, Inc.	NY	0.48%	3.58%	0.53%	3.05%	0.16%	2.89%	0.01%	0.56%	2.89%	0.07%	0.00%	0.16%	3.78%	0.54%	3.24%	\$ 5,554	25.35%
PBBI																		
PB Bancorp, Inc.	CT	0.18%	2.84%	0.65%	2.19%	0.19%	2.00%	0.02%	0.48%	2.26%	-0.01%	0.00%	0.05%	2.99%	0.94%	2.05%	\$ 4,767	20.33%
PBIP																		
Prudential Bancorp, Inc.	PA	0.51%	3.27%	0.62%	2.65%	0.04%	2.61%	0.00%	0.16%	2.04%	0.02%	0.00%	0.24%	3.39%	0.83%	2.56%	\$ 9,010	31.64%
WEBK																		
Wellesley Bancorp, Inc.	MA	0.50%	3.90%	0.75%	3.15%	0.08%	3.07%	0.06%	0.21%	2.54%	0.00%	0.00%	0.31%	3.98%	0.86%	3.12%	\$ 8,860	38.38%
WNEB																		
Western New England Bancorp, Inc.	MA	0.33%	3.24%	0.79%	2.44%	0.07%	2.38%	0.00%	0.31%	2.12%	-0.10%	0.00%	0.15%	3.45%	0.92%	2.53%	\$ 7,529	31.60%

(1) Net gains/losses includes gain/loss on sale of securities and nonrecurring income and expense.

Source: SNL Financial, LC. and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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Table 3.4
Loan Portfolio Composition and Related Information
Comparable Institution Analysis
As of September 30, 2016

Institution		Portfolio Composition as a Percent of Assets							RWA/ Assets (%)	Serviced For Others (\$000)	Servicing Assets (\$000)	
		MBS (%)	1-4 Family(1) (%)	Constr. & Land (%)	Multi- Family (%)	Comm RE (%)	Commerc. Business (%)	Consumer (%)				
Ponce Bank	NY	1.43%	43.63%	4.07%	21.24%	16.31%	2.11%	0.11%	74.19%	\$ 0	\$ 0	
December 31, 2016												
All Public Companies												
	Averages	9.53%	32.64%	3.80%	9.95%	18.64%	4.60%	1.55%	68.79%	\$1,500,818	\$ 8,303	
	Medians	8.40%	32.60%	2.87%	3.63%	17.62%	3.94%	0.35%	70.39%	\$ 59,991	\$ 385	
State of NY												
	Averages	7.46%	36.82%	1.42%	22.03%	13.57%	3.32%	0.94%	65.67%	\$2,878,584	\$ 26,079	
	Medians	6.68%	34.32%	0.73%	6.41%	13.38%	1.69%	0.04%	71.33%	\$ 67,686	\$ 449	
Comparable Group												
	Averages	11.05%	41.70%	3.96%	2.72%	17.37%	4.99%	0.84%	66.58%	\$ 31,551	\$ 235	
	Medians	8.93%	40.94%	3.21%	2.30%	16.12%	4.48%	0.16%	68.35%	\$ 3,149	\$ 22	
Comparable Group												
BYBK	Bay Bancorp Inc.	MD	5.71%	32.84%	4.07%	2.86%	29.98%	9.92%	0.33%	83.15%	\$ 5,506	\$ 0
CSBK	Clifton Bancorp Inc	NJ	20.17%	48.51%	0.00%	8.36%	10.59%	0.08%	0.04%	54.52%	\$ 0	\$ 0
CWAY	Coastway Bncp, Inc.	RI	0.00%	57.27%	1.91%	1.32%	22.80%	4.24%	0.18%	71.36%	\$ 0	\$ 0
ESBK	Elmira Savings Bank	NY	2.92%	56.15%	2.55%	1.79%	11.06%	3.80%	6.44%	64.11%	\$ 246,989	\$ 1,751
MLVF	Malvern Bancorp Inc	PA	2.90%	33.50%	3.48%	2.38%	26.26%	4.72%	0.23%	72.78%	\$ 0	\$ 328
PBHC	Pathfinder Bancorp Inc.	NY	12.14%	30.32%	4.65%	2.16%	17.80%	8.80%	0.77%	65.33%	\$ 18,046	\$ 43
PBBI	PB Bancorp Inc.	CT	31.57%	39.78%	0.82%	1.07%	7.23%	1.77%	0.14%	56.95%	\$ 26,459	\$ 86
PBIP	Prudential Bancorp Inc.	PA	17.52%	42.09%	2.94%	2.23%	14.22%	0.02%	0.14%	52.46%	\$ 0	\$ 0
WEBK	Wellesley Bancorp	MA	2.72%	45.43%	15.43%	2.46%	14.45%	5.67%	0.02%	71.51%	\$ 17,721	\$ 138
WNEB	Western New England Bancorp	MA	14.82%	31.14%	3.74%	2.59%	19.28%	10.88%	0.10%	73.68%	\$ 792	\$ 0

(1) Includes home equity loans and lines of credit.

Source: SNL Financial LC. and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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Table 3.5
Interest Rate Risk Measures and Net Interest Income Volatility
Comparable Institution Analysis
As of September 30, 2016

		Balance Sheet Measures			Quarterly Change in Net Interest Income						
		Tangible	IEA/	Non-IEA	9/30/2016	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015	
		Equity/ Assets	IBL	Assets/ Assets							
		(%)	(%)	(%)	(change in net interest income is annualized in basis points)						
Ponce Bank	NY										
December 31, 2016		12.5%	109.8%	4.8%	-8	-36	16	3	-5	-8	
All Public Companies		12.0%	128.7%	7.3%	0	2	-5	1	3	1	
State of NY		8.9%	117.3%	6.1%	-1	-1	-3	5	-1	2	
Comparable Group											
Average		12.6%	110.5%	5.3%	1	2	-6	-1	2	3	
Median		10.7%	107.8%	5.7%	4	1	-1	-2	2	4	
Comparable Group											
BYBK	Bay Bancorp, Inc.	MD	10.2%	109.4%	3.8%	-40	14	-31	-16	-13	18
CSBK	Clifton Bancorp Inc.	NJ	23.1%	123.7%	6.0%	-2	-2	-1	-4	2	10
CWAY	Coastway Bancorp, Inc.	RI	11.0%	105.1%	7.5%	1	-2	2	-4	3	9
ESBK	Elmira Savings Bank	NY	7.7%	103.9%	7.5%	8	-5	-1	25	-3	-4
MLVF	Malvern Bancorp, Inc.	PA	11.5%	108.8%	4.6%	10	3	-7	2	2	1
PBHC	Pathfinder Bancorp, Inc.	NY	7.6%	103.9%	5.5%	14	1	-8	-13	6	4
PBBI	PB Bancorp, Inc.	CT	15.5%	114.0%	6.0%	6	6	-1	0	8	4
PBIP	Prudential Bancorp, Inc.	PA	20.4%	122.9%	3.4%	2	1	4	-4	15	-14
WEBK	Wellesley Bancorp, Inc.	MA	8.3%	106.7%	2.7%	4	-2	-16	6	-7	6
WNEB	Western New England Bancorp, Inc.	MA	10.5%	106.8%	5.9%	5	1	0	3	7	0

NA=Change is greater than 100 basis points during the quarter.

Source: SNL Financial LC. and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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Table 3.6
Credit Risk Measures and Related Information
Comparable Institution Analysis
As of September 30, 2016

		REO/ Assets (%)	NPAs & 90+Del/ Assets (1) (%)	Adj NPAs & 90+Del/ Assets (2) (%)	NPLs/ Loans (1) (%)	Rsrvs/ Loans HFI (%)	Rsrvs/ NPLs (1) (%)	Rsrvs/ NPAs & 90+Del (1) (%)	Net Loan Chargeoffs (3) (\$000)	NLCs/ Loans (%)	
Ponce Bank	NY										
December 31, 2016		0.00%	3.50%	1.04%	4.01%	1.57%	39.09%	39.09%	-\$ 778	-0.12%	
All Public Companies											
Averages		0.10%	1.08%	0.67%	1.34%	1.00%	116.73%	98.37%	\$ 1,621	0.06%	
Medians		0.05%	0.88%	0.55%	1.09%	0.94%	90.49%	78.50%	\$ 180	0.03%	
State of NY											
Averages		0.07%	0.90%	0.60%	1.11%	0.81%	138.56%	114.71%	\$ 1,043	0.05%	
Medians		0.09%	0.88%	0.63%	1.10%	0.86%	112.19%	100.07%	\$ 245	0.03%	
Comparable Group											
Averages		0.10%	1.29%	1.02%	1.62%	0.86%	158.08%	149.59%	\$ 204	0.06%	
Medians		0.07%	0.91%	0.75%	1.15%	0.94%	95.94%	88.67%	\$ 263	0.04%	
Comparable Group											
BYBK	Bay Bancorp, Inc.	MD	0.27%	2.60%	2.51%	2.40%	0.51%	21.03%	15.55%	\$ 451	0.11%
CSBK	Clifton Bancorp Inc.	NJ	0.07%	0.38%	0.29%	0.45%	0.59%	129.90%	105.14%	\$ 348	0.05%
CWAY	Coastway Bancorp, Inc.	RI	0.06%	2.20%	0.86%	2.43%	0.47%	18.19%	17.65%	\$ 96	0.02%
ESBK	Elmira Savings Bank	NY	0.04%	0.93%	0.93%	1.09%	0.94%	85.00%	81.43%	\$ 345	0.08%
MLVF	Malvern Bancorp, Inc.	PA	0.00%	0.53%	0.28%	0.63%	0.94%	148.63%	124.86%	\$ 180	0.04%
PBHC	Pathfinder Bancorp, Inc.	NY	0.09%	0.89%	0.63%	1.21%	1.29%	106.87%	95.91%	\$ 634	0.14%
PBBI	PB Bancorp, Inc.	CT	0.38%	1.32%	1.19%	1.79%	0.94%	52.30%	36.98%	\$ 637	0.26%
PBIP	Prudential Bancorp, Inc.	PA	0.10%	3.39%	2.94%	5.28%	0.94%	17.79%	17.24%	(\$ 114)	-0.03%
WEBK	Wellesley Bancorp, Inc.	MA	0.00%	0.09%	0.09%	0.11%	0.96%	878.64%	878.64%	\$ 146	0.03%
WNEB	Western New England Bancorp, Inc.	MA	0.00%	0.59%	0.53%	0.86%	1.05%	122.46%	122.46%	(\$ 680)	-0.08%

- (1) Includes TDRs for the Company and the Peer Group.
(2) Excludes TDRs that are in compliance with their modified terms.
(3) Net loan chargeoffs are shown on a last twelve month basis.

Source: SNL Financial, LC and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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Table 3.8
Ponce Bank
Peer Group Market Area Unemployment Rates

	County	Unemployment Rate Dec. 2016
Se-Fed Bancshares, Inc.	Walker, AL	7.0%
Peer Group Average		4.4%
<u>Peer Group</u>		
Equitable Financial Corp.	Hall, NE	3.6%
IF Bancorp, Inc.	Iroquois, IL	6.1%
HMN Financial, Inc.	Olmsted, MN	3.0%
Jacksonville Bancorp, Inc.	Morgan, IL	5.1%
Westbury Bancorp, Inc.	Washington, WI	3.1%
Poage Bankshares, Inc.	Boyd, KY	7.2%
United Community Bancorp	Dearborn, IN	4.4%
Wayne Savings Bancshares, Inc.	Wayne, OH	3.9%
WCF Bancorp, Inc.	Hamilton, IA	3.8%
Wolverine Bancorp, Inc.	Midland, MI	4.1%

Source: SNL Financial, LC.

States & Counties

SNL Market Key

Name

Unemp. Rate

SNLTable

Unemp. Rate

SNL Market Key	Name	Unemp. Rate	Unemp. Rate	
227545		227560	227560	<i>Edit these formulas to change dates</i>
		#PEND	#PEND	
Cnty31079	Hall, NE	3.7	3.6	
Cnty17075	Iroquois, IL	6.5	6.1	
Cnty27109	Olmsted, MN	2.6	3.0	
Cnty17137	Morgan, IL	5.6	5.1	
Cnty55131	Washington, WI	3.4	3.1	
Cnty21019	Boyd, KY	7.4	7.2	
Cnty18029	Dearborn, IN	4.7	4.4	
Cnty39169	Wayne, OH	3.8	3.9	
Cnty19079	Hamilton, IA	4.1	3.8	
Cnty26111	Midland, MI	3.8	4.1	
Cnty01127	Walker, AL	7.6	7.0	Bank's County

EXHIBITS

LIST OF EXHIBITS

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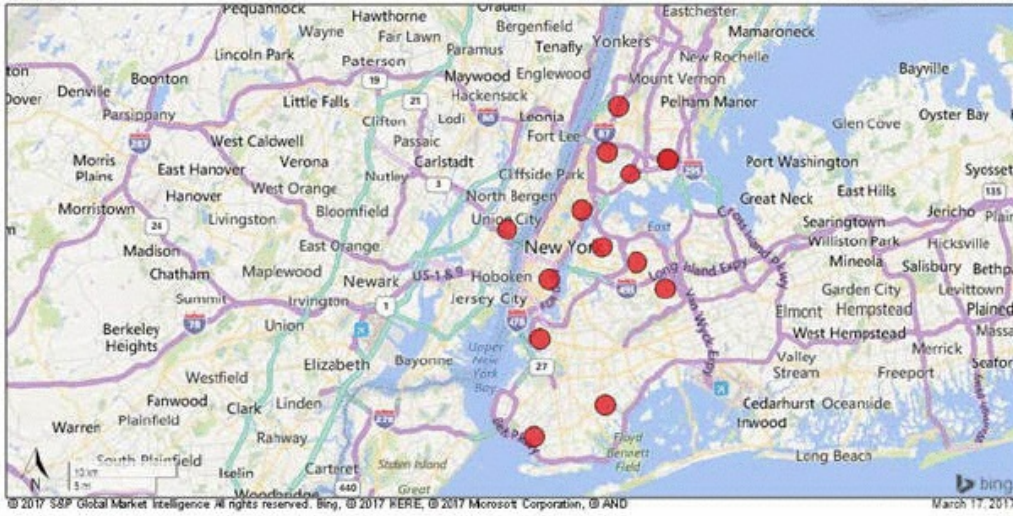
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EXHIBIT I-1

**Ponce Bank
Map of Office Locations**

Exhibit I-1
Ponce Bank
Map of Office Locations

SNL



Ponce De Leon Federal Bank

● US Branches: Current

Source: SNL Financial, LC.

EXHIBIT I-2

**Ponce Bank
Audited Financial Statements
[Incorporated by Reference]**

EXHIBIT I-3

**Ponce Bank
Key Operating Ratios**

Exhibit I-3
Ponce Bank
Key Operating Ratios

	At or For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Performance Ratios:					
Return on average assets	0.20%	0.35%	0.35%	0.33%	0.53%
Return on average equity	1.53%	2.76%	2.80%	2.79%	4.68%
Interest rate spread (1)	3.82%	3.96%	4.26%	3.98%	4.16%
Net interest margin (2)	4.02%	4.14%	4.42%	4.17%	4.36%
Noninterest expense to average assets	3.84%	3.67%	3.59%	3.30%	3.13%
Efficiency ratio (3)	92.15%	86.23%	79.34%	75.75%	69.25%
Average interest-earning assets to average interest-bearing liabilities	123.84%	121.66%	119.27%	117.72%	115.75%
Average equity to average assets	12.81%	12.78%	12.58%	11.79%	11.41%
Capital Ratios:					
Total capital to risk weighted assets (bank only)	19.21%	20.72%	20.32%	18.85%	17.97%
Tier 1 capital to risk weighted assets (bank only)	17.96%	19.46%	19.06%	17.59%	16.71%
Common equity Tier 1 capital to risk-weighted assets (bank only)	17.96%	19.46%	N/A	N/A	N/A
Tier 1 capital to average assets (bank only)	13.32%	13.67%	13.46%	12.65%	11.86%
Asset Quality Ratios:					
Allowance for loan losses as a percentage of total loans	1.57%	1.64%	1.71%	1.74%	1.69%
Allowance for loan losses as a percentage of nonperforming loans	132.15%	99.78%	58.77%	21.63%	18.02%
Net (charge-offs) recoveries to average outstanding loans during the year	0.13%	(0.06%)	(0.30%)	(0.61%)	(0.48%)
Non-performing loans as a percentage of total loans	1.19%	1.65%	2.91%	8.05%	9.39%
Non-performing loans as a percentage of total assets	1.04%	1.35%	2.28%	6.29%	7.33%
Total non-performing assets as a percentage of total assets	1.04%	1.36%	2.30%	6.44%	7.49%
Total non-performing assets, accruing loans past due 90 days or more, and accruing troubled debt restructured loans as a percentage of total assets	3.50%	4.19%	5.23%	7.55%	9.25%
Other:					
Number of offices	14	14	14	14	13
Number of full-time equivalent employees	174	175	164	168	168

- (1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of interest-bearing liabilities.
- (2) Represents net interest income as a percentage of average interest-earning assets.
- (3) Represents noninterest expense divided by the sum of net interest income and noninterest income.

Source: Ponce Bank's prospectus.

EXHIBIT I-4

**Ponce Bank
Investment Portfolio Composition**

Exhibit I-4
Ponce Bank
Investment Portfolio Composition

	At December 31,									
	2016		2015		2014		2013		2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)									
U.S. Government and Federal Agencies	\$ 41,906	\$ 41,559	\$ 71,899	\$ 71,166	\$ 88,828	\$ 87,088	\$ 90,823	\$ 86,662	\$ 96,022	\$ 95,894
Certificates of Deposit	500	500	—	—	—	—	—	—	—	—
Mortgage-Backed Securities										
FHLMC Certificates	192	216	202	222	212	234	222	238	332	355
FNMA Certificates	3,600	3,606	4,411	4,432	5,732	5,872	6,536	6,548	872	948
GNMA Certificates	6,745	6,809	6,084	6,214	7,211	7,380	8,668	8,857	11,158	11,496
	<u>\$ 52,943</u>	<u>\$ 52,690</u>	<u>\$ 82,596</u>	<u>\$ 82,034</u>	<u>\$ 101,983</u>	<u>\$ 100,574</u>	<u>\$ 106,249</u>	<u>\$ 102,305</u>	<u>\$ 108,384</u>	<u>\$ 108,693</u>

Source: Ponce Bank's prospectus.

EXHIBIT I-5

**Ponce Bank
Yields and Costs**

Exhibit I-5
Ponce Bank
Yields and Costs

	At December 31, 2016			2016			For the Years Ended December 31, 2015			2014		
	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate		
(Dollars in thousands)												
Interest-earning assets:												
Loans	5.23%	\$ 605,878	32,660	5.39%	\$ 569,032	32,100	5.64%	\$ 558,761	33,867	6.06%		
Available-for-sale securities	1.45%	70,142	1,012	1.44%	96,777	1,429	1.48%	102,715	1,567	1.53%		
Other (1)	0.42%	15,365	69	0.45%	9,465	61	0.64%	11,788	61	0.52%		
Total interest-earning assets		691,385	33,741	4.88%	675,274	33,590	4.97%	673,264	35,495	5.27%		
Non-interest-earning assets		33,759			38,769			46,058				
Total assets		\$ 725,144			\$ 714,043			\$ 719,322				
Interest-bearing liabilities:												
Savings accounts	0.10%	126,573	327	0.26%	122,533	240	0.20%	127,200	248	0.19%		
Interest-bearing demand	0.28%	54,493	96	0.18%	46,692	77	0.16%	44,546	60	0.13%		
Certificates of deposit	1.48%	371,313	5,502	1.48%	366,958	5,268	1.44%	379,860	5,376	1.42%		
Total deposits		552,379	5,925	1.07%	536,188	5,585	1.04%	551,606	5,684	1.03%		
Advance payments by borrowers	1.25%	4,770	4	0.09%	3,815	4	0.10%	3,740	3	0.08%		
Barrowings	0.78%	1,145	7	0.61%	15,050	61	0.41%	9,129	43	0.47%		
Total interest-bearing liabilities		558,294	5,936	1.06%	555,053	5,650	1.02%	564,475	5,730	1.02%		
Non-interest-bearing liabilities:												
Non-interest-bearing demand		70,407	—		61,524	—		60,318	—			
Other non-interest bearing liabilities		3,519	—		6,195	—		4,024	—			
Total non-interest-bearing liabilities		73,926	—		67,719	—		64,342	—			
Total liabilities		632,220	5,936		622,773	5,650		628,817	5,730			
Total equity		92,924			91,270			90,505				
Total liabilities and total equity		\$ 725,144		1.06%	\$ 714,043		1.02%	\$ 719,322		1.02%		
Net interest income			\$27,805			\$27,940			\$29,765			
Net interest rate spread (2)				3.82%			3.96%			4.26%		
Net interest-earning assets (3)		\$ 133,091			\$ 120,221			\$ 108,789				
Net interest margin (4)				4.02%			4.14%			4.42%		
Average interest-earning assets to interest-bearing liabilities				123.84%			121.66%			119.27%		

(1) Includes FHLB demand accounts and FHLB stock dividends.

(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

Source: Ponce Bank's prospectus.

EXHIBIT I-6

**Ponce Bank
Loan Loss Allowance Activity**

Exhibit I-6
Ponce Bank
Loan Loss Allowance Activity

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Allowance at beginning of year	\$ 9,484	\$9,449	\$ 9,940	\$10,056	\$ 7,872
Provision for loan losses	(57)	353	1,184	3,426	5,132
Charge-offs:					
Mortgage loans:					
1-4 family residences	(38)	(282)	(701)	(1,533)	(504)
Multifamily residences	(3)	(257)	(252)	(254)	(26)
Nonresidential properties	—	(19)	(268)	(184)	—
Construction and land	(85)		(32)	(434)	(467)
Nonmortgage loans:					
Business loans	—	—	(945)	(1,440)	(1,954)
Consumer loans	(13)	(8)	(19)	(18)	(56)
Total charge-offs	(139)	(643)	(2,217)	(3,863)	(3,007)
Recoveries:					
Mortgage loans:					
1-4 family residences	160	63	235	4	2
Multifamily residences	1	—	61	32	11
Nonresidential properties	9	31	10	—	6
Construction and land	5	—	—	133	—
Nonmortgage loans:					
Business loans	733	224	231	147	34
Consumer loans	9	7	5	5	6
Total recoveries	917	325	542	321	59
Net (charge-offs) recoveries	778	(318)	(1,675)	(3,542)	(2,948)
Allowance at end of year	<u>\$10,205</u>	<u>\$9,484</u>	<u>\$ 9,449</u>	<u>\$ 9,940</u>	<u>\$10,056</u>
Allowance for loan losses as a percentage of nonperforming loans	132.15%	99.78%	58.79%	21.63%	17.39%
Allowance for loan losses as a percentage of total loans	1.57%	1.64%	1.71%	1.74%	1.69%
Net (charge-offs) recoveries to average outstanding loans during the year	0.13%	(0.06%)	(0.30%)	(0.60%)	(0.48%)

Source: Ponce Bank's prospectus.

EXHIBIT I-7

**Ponce Bank
Interest Rate Risk Analysis**

Exhibit I-7
Ponce Bank
Interest Rate Risk Analysis

The table below sets forth, as of December 31, 2016, the calculation of the estimated changes in our net interest income that would result from the designated immediate changes in the United States Treasury yield curve.

Rate Shift (1)	Net Interest Income	
	Year 1 Forecast	Year 1 Change from Level
	(Dollars in thousands)	
+400	\$ 24,717	-10.69%
+300	25,584	-7.56%
+200	26,403	-4.60%
+100	27,122	-2.00%
Level	27,677	—
-100	27,540	-0.49%

(1) Assumes an immediate uniform change in interest rates at all maturities.

The table below sets forth, as of December 31, 2016, the calculation of the estimated changes in our NEV that would result from the designated immediate changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) (1)	Estimated NEV (2)	Estimated Increase (Decrease) in NEV		NEV as a Percentage of Present Value of Assets (3)	
		Amount	Percent	NEV Ratio (4)	Increase (Decrease) (basis points)
+400	\$	\$	%	%	
+300	105,305	(20,805)	-16.50%	14.59%	(171)
+200	113,610	(12,501)	-9.91%	15.35%	(94)
+100	120,720	(5,390)	-4.27%	15.94%	(36)
Level	126,111	—	0.00%	16.29%	—
-100	131,301	5,190	4.12%	16.65%	36

(1) Assumes an immediate uniform change in interest rates at all maturities.

(2) NEV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.

(4) NEV Ratio represents NEV divided by the present value of assets.

Source: Ponce Bank's prospectus.

EXHIBIT I-8

**Ponce Bank
Fixed and Adjustable Rate Loans**

Exhibit I-8
Ponce Bank
Fixed and Adjustable Rate Loans

The following table sets forth our fixed and adjustable-rate loans at December 31, 2016 that are contractually due after December 31, 2017.

	Due After December 31, 2017		
	Fixed	Adjustable (In thousands)	Total
Mortgage loans:			
1-4 family residences	\$ 75,312	\$ 243,333	\$318,645
Investor owned	33,225	189,254	222,479
Owner occupied	42,087	54,079	96,166
Multifamily residences	15,126	140,877	156,003
Nonresidential properties	24,170	95,517	119,687
Construction and land	8,004	—	8,004
Total mortgage loans	<u>122,612</u>	<u>479,727</u>	<u>602,339</u>
Nonmortgage loans:			
Business	4,623	2,093	6,716
Consumer	717	—	717
Total nonmortgage loans	<u>5,340</u>	<u>2,093</u>	<u>7,433</u>
Total	<u>\$127,952</u>	<u>\$ 481,820</u>	<u>\$609,772</u>

Source: Ponce Bank's prospectus.

EXHIBIT I-9

**Ponce Bank
Loan Portfolio Composition**

Exhibit I-9
Ponce Bank
Loan Portfolio Composition

	At December 31,									
	2016		2015		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Mortgage loans:										
1-4 family residences	\$325,040	49.88%	\$309,292	53.64%	\$295,948	53.59%	\$307,014	53.74%	\$313,065	52.67%
Investor Owned	227,409	34.90%	204,334	35.44%	190,726	34.54%	195,762	34.27%	207,981	34.99%
Owner-Occupied	97,631	14.98%	104,958	18.20%	105,222	19.05%	111,252	19.47%	105,084	17.68%
Multifamily residences	158,200	24.28%	122,836	21.30%	110,978	20.10%	107,541	18.82%	107,949	18.16%
Nonresidential properties	121,500	18.64%	106,462	18.46%	111,806	20.24%	109,603	19.19%	115,614	19.45%
Construction and land	30,340	4.66%	22,883	3.97%	18,707	3.39%	25,567	4.48%	29,708	5.00%
Total mortgage loans	635,080	97.46%	561,473	97.37%	537,439	97.32%	549,725	96.23%	566,336	95.28%
Nonmortgage loans:										
Business	15,719	2.41%	14,350	2.49%	14,206	2.57%	20,349	3.56%	26,545	4.47%
Consumer	843	0.13%	788	0.14%	614	0.11%	1,210	0.21%	1,537	0.25%
Total nonmortgage loans	16,562	2.54%	15,138	2.63%	14,820	2.68%	21,559	3.77%	28,082	4.72%
Total nonmortgage loans	651,642	100.00%	576,611	100.00%	552,259	100.00%	571,284	100.00%	594,418	100.00%
Net deferred loan origination costs	711		535		479		279		244	
Allowance for losses on loans	(10,205)		(9,484)		(9,449)		(9,940)		(10,056)	
Loans, net	\$642,148		\$567,662		\$543,289		\$561,623		\$584,606	

Source: Ponce Bank's prospectus.

EXHIBIT I-10

**Ponce Bank
Contractual Maturity by Loan Type**

Exhibit I-10
Ponce Bank
Contractual Maturity by Loan Type

<u>December 31, 2016</u>	<u>1-4 family residences - Investor Owned</u>	<u>1-4 family residences - Owner Occupied</u>	<u>Multifamily Residences</u>	<u>Nonresidential properties</u>
(In thousands)				
Amounts due in:				
One year or less	\$ 4,930	\$ 1,465	\$ 2,197	\$ 1,813
More than one to five years	13,915	4,078	6,593	9,598
More than five years	208,564	92,088	149,410	110,089
Total	<u>\$ 227,409</u>	<u>\$ 97,631</u>	<u>\$ 158,200</u>	<u>\$ 121,500</u>

<u>December 31, 2016</u>	<u>Construction and Land</u>	<u>Business</u>	<u>Consumer</u>	<u>Total</u>
(In thousands)				
Amounts due in:				
One year or less	\$ 22,336	\$ 9,003	\$ 126	\$ 41,870
More than one to five years	8,004	6,716	717	49,621
More than five years	—	—	—	560,151
Total	<u>\$ 30,340</u>	<u>\$15,719</u>	<u>\$ 843</u>	<u>\$651,642</u>

Source: Ponce Bank's prospectus.

EXHIBIT I-11

**Ponce Bank
Loan Originations, Purchases, Sales and Repayments**

Exhibit I-11
Ponce Bank
Loan Originations, Purchases, Sales and Repayments

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Total loans at beginning of year	\$576,611	\$552,259	\$ 571,284	\$ 594,418	\$ 622,359
Loans originated:			(In thousands)		
Mortgage loans:					
1-4 family residences	71,908	51,864	46,228	54,509	30,715
Investor owned	57,167	39,309	34,603	31,508	20,544
Owner occupied	14,741	12,555	11,625	23,001	10,171
Multifamily residences	51,876	34,048	28,965	21,986	19,955
Nonresidential properties	31,408	18,365	15,972	13,850	9,902
Construction and land	5,693	3,497	15,485	10,389	13,589
Total mortgage loans	160,885	107,774	106,650	100,734	74,161
Nonmortgage loans:					
Business	1,222	7,451	4,540	5,084	1,924
Consumer	718	692	277	516	782
Total nonmortgage loans	1,940	8,143	4,817	5,600	2,706
Total loans originated	162,825	115,917	111,467	106,334	76,867
Loans purchased:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	—
Multifamily residences	—	—	—	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	—	—	—	—
Total mortgage loans	—	—	—	—	—
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—
Total loans purchased	—	—	—	—	—
Loans sold:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	—
Multifamily residences	—	—	(838)	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	—	—	—	—
Total mortgage loans	—	—	(838)	—	—
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—
Total loans sold	—	—	(838)	—	—
Principal repayments and other	(87,794)	(91,565)	(131,330)	(129,468)	(104,808)
Net loan activity	75,031	24,352	(19,025)	(23,134)	(27,941)
Total loans at end of year	651,642	576,611	552,259	571,284	594,418

Source: Ponce Bank's prospectus.

EXHIBIT I-12

**Ponce Bank
Non-Performing Assets**

Exhibit I-12
Ponce Bank
Non-Performing Assets

	At December 31,				
	2016	2015	2014	2013	2012
(Dollars in thousands)					
Nonaccrual loans:					
Mortgage loans:					
1-4 family residences	\$ 2,270	\$ 2,713	\$ 3,757	\$12,342	\$19,266
Investor owned	811	1,635	2,721	7,300	13,219
Owner occupied	1,459	1,078	1,036	5,042	6,047
Multifamily residences	—	—	2,957	4,040	4,320
Nonresidential properties	1,614	1,660	72	1,579	3,232
Construction and land	1,145	637	259	3,019	7,143
Nonmortgage loans:					
Business	22	13	14	236	1,686
Consumer	—	—	—	29	40
Total nonaccrual loans (not including nonaccruing troubled debt restructured loans)	5,051	5,023	7,059	21,245	35,687
Nonaccruing troubled debt restructured loans:					
Mortgage loans:					
1-4 family residences	1,888	3,654	6,508	17,911	13,194
Investor owned	1,240	2,599	4,589	10,059	6,478
Owner occupied	648	1,055	1,923	7,851	6,716
Multifamily residences	—	—	—	396	450
Nonresidential properties	783	828	2,427	5,658	5,508
Construction and land	—	—	—	—	154
Nonmortgage loans:					
Business	—	—	79	751	824
Consumer	—	—	—	—	—
Total nonaccruing troubled debt restructured loans	2,671	4,482	9,018	24,715	20,130
Total nonaccrual loans	7,722	9,505	16,077	45,960	55,817
Real estate owned:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	—
Multifamily residences	—	—	—	—	—
Nonresidential properties	—	—	—	—	—
Construction and land	—	76	162	1,059	1,200
Nonmortgage loans:					
Business	—	—	—	—	—
Consumer	—	—	—	—	—
Total real estate owned	—	76	162	1,059	1,200
Total nonperforming assets	7,722	9,581	16,239	47,019	57,017
Accruing loans past due 90 days or more:					
Mortgage loans:					
1-4 family residences	—	—	—	—	—
Investor owned	—	—	—	—	—
Owner occupied	—	—	—	—	—
Multifamily residences	—	—	—	—	—
Nonresidential properties	—	—	126	127	299
Construction and land	—	—	1,257	894	—
Nonmortgage loans:					
Business	—	—	600	—	3,511
Consumer	—	—	—	—	—
Total accruing loans past due 90 days or more	—	—	1,983	1,021	3,810
Accruing troubled debt restructured loans:					
Mortgage loans:					
1-4 family residences	13,712	14,909	14,177	4,859	8,347
Investor owned	6,435	6,579	5,179	2,383	5,321
Owner occupied	7,290	8,330	8,998	2,476	3,026
Multifamily residences	—	—	—	—	—
Nonresidential properties	4,066	4,186	3,590	2,262	1,256
Construction and land	—	—	—	—	—
Nonmortgage loans:					
Business	593	814	970	—	—
Consumer	—	—	—	—	—
Total accruing troubled debt restructured loans	18,384	19,909	18,737	7,121	9,603
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans	26,106	29,490	36,959	55,161	70,430

Total nonperforming loans to total loans	1.19%	1.65%	2.91%	8.05%	9.39%
Total nonperforming assets to total assets	1.04%	1.35%	2.28%	6.29%	7.32%
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans to total assets	3.50%	4.19%	5.23%	7.55%	9.24%

Source: Ponce Bank's prospectus.

EXHIBIT I-13

**Ponce Bank
Deposit Composition**

Exhibit I-13
Ponce Bank
Deposit Composition

	For the Years Ended December 31,								
	2016			2015			2014		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)								
Deposit type:									
Savings	\$126,689	20.32%	0.26%	\$122,538	20.50%	0.20%	\$127,200	20.79%	0.20%
Interest-bearing demand	54,564	8.75%	0.18%	46,692	7.81%	0.16%	44,546	7.28%	0.13%
Certificates of deposit	371,267	59.54%	1.48%	366,958	61.40%	1.44%	379,860	62.07%	1.42%
Interest-bearing deposits	552,520	88.61%	1.07%	536,188	89.71%	1.04%	551,606	90.14%	1.03%
Non-interest bearing demand	71,045	11.39%	—	61,524	10.29%	—	60,318	9.86%	—
Total deposits	<u>\$623,565</u>	<u>100.00%</u>	0.95%	<u>\$597,712</u>	<u>100.00%</u>	0.93%	<u>\$611,924</u>	<u>100.00%</u>	0.93%

Source: Ponce Bank's prospectus.

EXHIBIT I-14

**Ponce Bank
Maturity of Time Deposits**

Exhibit I-14
Ponce Bank
Maturity of Time Deposits

	Period to Maturity				Total	Percent of Total
	Less Than or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three Years		
(Dollars in thousands)						
Interest Rate Range:						
0.05% - 0.99%	\$ 58,717	\$ 157	\$ —	\$ —	\$ 58,874	15.97%
1.00% - 1.49%	77,407	58,789	7,655	342	144,193	39.11%
1.50% - 1.99%	23,524	10,219	11,147	21,565	66,455	18.02%
2.00% - 2.49%	9,292	808	20,543	63,751	94,394	25.60%
2.50% - 2.99%	—	—	1,345	3,460	4,805	1.30%
Total	<u>\$168,940</u>	<u>\$ 69,973</u>	<u>\$ 40,690</u>	<u>\$89,118</u>	<u>\$368,721</u>	<u>100.00%</u>

Source: Ponce Bank's prospectus.

EXHIBIT I-15

**Ponce Bank
Borrowing Activity**

Exhibit I-15
Ponce Bank
Borrowing Activity

	At or For the Year		
	December 31,		
	2016	2015	2014
	(Dollars in Thousands)		
FHLB Advances:			
Balance outstanding at end of year	\$ 3,000	\$ 8,000	\$10,000
Average amount outstanding during the year	1,172	15,050	9,129
Maximum outstanding at any month end	12,000	24,000	18,000
Weighted average interest rate during the year	0.60%	0.41%	0.47%
Weighted average interest rate at the end of year	0.78%	0.56%	0.45%

Source: Ponce Bank's prospectus.

EXHIBIT II-1

Description of Office Properties

Exhibit II-1
Ponce Bank
Description of Office Properties

<u>Location</u>	<u>Leased or Owned</u>	<u>Year Acquired or Leased</u>	<u>Net Book Value of Real Property</u> (In thousands)
Main Office:			
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 6,584
Other Properties:			
980 Southern Blvd. Bronx, NY 10459	Leased	Pre 1990	\$ 1,282
37-60 82nd Street Jackson Heights, NY 11372	Owned	2006	\$ 8,702
30 East 170th Street Bronx, NY 10452	Owned	1987	\$ 133
169-174 Smith Street Brooklyn, NY 11201	Owned	1988	\$ 50
1925 Third Avenue New York, NY 1996	Leased	1996	\$ 20
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 593
5560 Broadway Bronx, NY 10463	Owned	1998	\$ 1,137
3405-3407 Broadway Astoria, NY 11106	Leased	2001	\$ —
3821 Bergenline Avenue Union City, NJ 07087	Owned	2001	\$ 1,816
1900-1960 Ralph Avenue Brooklyn, NY 11234	Leased	2007	\$ 363
20-47 86th Street Brooklyn, NY 11214	Owned	2010	\$ 1,965
100-20 Queens Blvd Forest Hills, NY 11375	Leased	2010	\$ 697
319 First Avenue New York, NY 10003	Leased	2010	\$ 1,231

Source: Ponce Bank's prospectus.

EXHIBIT II-2

Historical Interest Rates

Exhibit II-2
Historical Interest Rates(1)

Year/Qtr. Ended	Prime Rate	90 Day T-Note	One Year T-Note	10 Year T-Note
2004: Quarter 1	4.00%	0.95%	1.20%	3.86%
Quarter 2	4.00%	1.33%	2.09%	4.62%
Quarter 3	4.75%	1.70%	2.16%	4.12%
Quarter 4	5.25%	2.22%	2.75%	4.24%
2005: Quarter 1	5.75%	2.80%	3.43%	4.51%
Quarter 2	6.00%	3.12%	3.51%	3.98%
Quarter 3	6.75%	3.55%	4.01%	4.34%
Quarter 4	7.25%	4.08%	4.38%	4.39%
2006: Quarter 1	7.75%	4.63%	4.82%	4.86%
Quarter 2	8.25%	5.01%	5.21%	5.15%
Quarter 3	8.25%	4.88%	4.91%	4.64%
Quarter 4	8.25%	5.02%	5.00%	4.71%
2007: Quarter 1	8.25%	5.04%	4.90%	4.65%
Quarter 2	8.25%	4.82%	4.91%	5.03%
Quarter 3	7.75%	3.82%	4.05%	4.59%
Quarter 4	7.25%	3.36%	3.34%	3.91%
2008: Quarter 1	5.25%	1.38%	1.55%	3.45%
Quarter 2	5.00%	1.90%	2.36%	3.99%
Quarter 3	5.00%	0.92%	1.78%	3.85%
Quarter 4	3.25%	0.11%	0.37%	2.25%
2009: Quarter 1	3.25%	0.21%	0.57%	2.71%
Quarter 2	3.25%	0.19%	0.56%	3.53%
Quarter 3	3.25%	0.14%	0.40%	3.31%
Quarter 4	3.25%	0.06%	0.47%	3.85%
2010: Quarter 1	3.25%	0.16%	0.41%	3.84%
Quarter 2	3.25%	0.18%	0.32%	2.97%
Quarter 3	3.25%	0.18%	0.32%	2.97%
Quarter 4	3.25%	0.12%	0.29%	3.30%
2011: Quarter 1	3.25%	0.09%	0.30%	3.47%
Quarter 2	3.25%	0.03%	0.19%	3.18%
Quarter 3	3.25%	0.02%	0.13%	1.92%
Quarter 4	3.25%	0.02%	0.12%	1.89%
2012: Quarter 1	3.25%	0.07%	0.19%	2.23%
Quarter 2	3.25%	0.09%	0.21%	1.67%
Quarter 3	3.25%	0.10%	0.17%	1.65%
Quarter 4	3.25%	0.05%	0.16%	1.78%
2013: Quarter 1	3.25%	0.07%	0.14%	1.87%
Quarter 2	3.25%	0.04%	0.15%	2.52%
Quarter 3	3.25%	0.02%	0.10%	2.64%
Quarter 4	3.25%	0.07%	0.13%	3.04%
2014: Quarter 1	3.25%	0.05%	0.13%	2.73%
Quarter 2	3.25%	0.04%	0.11%	2.53%
Quarter 3	3.25%	0.02%	0.13%	2.52%
Quarter 4	3.25%	0.04%	0.25%	2.17%
2015: Quarter 1	3.25%	0.03%	0.26%	1.94%
Quarter 2	3.25%	0.01%	0.28%	2.35%
Quarter 3	3.25%	0.00%	0.33%	2.06%
Quarter 4	3.50%	0.16%	0.65%	2.27%
2016: Quarter 1	3.50%	0.21%	0.59%	1.78%
Quarter 2	3.50%	0.26%	0.45%	1.49%
Quarter 3	3.50%	0.29%	0.59%	1.60%
Quarter 4	3.75%	0.51%	0.85%	2.45%
As of Feb. 24, 2017	3.75%	0.52%	0.80%	2.31%

(1) End of period data.

Sources: Federal Reserve and The Wall Street Journal.

EXHIBIT III-1

General Characteristics of Publicly-Traded Institutions

Exhibit III-1
Characteristics of Publicly-Traded Thrifts
February 24, 2017

Ticker	Financial Institution	Exchange	Region	City	State	Total Assets (\$Mil)	Offices	Fiscal Mth End	Conv. Date	As of February 24, 2017	
										Stock Price (\$)	Market Value (\$Mil)
ANCB	Anchor Bancorp	NASDAQ	WE	Lacey	WA	\$ 436	10	Jun	1/26/11	\$ 26.35	\$ 66
ASBB	ASB Bancorp, Inc.	NASDAQ	SE	Asheville	NC	797	13	Dec	10/12/11	32.50	123
AF	Astoria Financial Corporation	NYSE	MA	Lake Success	NY	14,814	88	Dec	11/18/93	18.68	1,891
BCTF	Bancorp 34, Inc.	NASDAQ	SW	Alamogordo	NM	328	4	Dec	10/12/16	12.75	44
BKMU	Bank Mutual Corporation	NASDAQ	MW	Milwaukee	WI	2,653	66	Dec	10/30/03	10.00	457
BYBK	Bay Bancorp, Inc.	NASDAQ	MA	Columbia	MD	606	14	Dec	1/0/00	7.50	78
BNCL	Beneficial Bancorp, Inc.	NASDAQ	MA	Philadelphia	PA	5,580	64	Dec	1/13/15	16.85	1,279
BHBK	Blue Hills Bancorp, Inc.	NASDAQ	NE	Norwood	MA	2,314	11	Dec	7/22/14	18.65	499
BOFI	BofI Holding, Inc.	NASDAQ	WE	San Diego	CA	7,855	2	Jun	3/14/05	30.84	1,954
BYFC	Broadway Financial Corporation	NASDAQ	WE	Los Angeles	CA	413	3	Dec	1/9/96	1.59	29
BLMT	BSB Bancorp, Inc.	NASDAQ	NE	Belmont	MA	2,074	7	Dec	10/5/11	27.85	254
CFN	Capitol Federal Financial, Inc.	NASDAQ	MW	Topeka	KS	9,267	47	Sep	12/22/10	15.29	2,110
CARV	Carver Bancorp, Inc.	NASDAQ	MA	New York	NY	702	9	Mar	10/25/94	3.25	12
CHFN	Charter Financial Corporation	NASDAQ	SE	West Point	GA	1,438	21	Sep	4/8/13	19.82	298
CSBK	Clifton Bancorp Inc.	NASDAQ	MA	Clifton	NJ	1,312	13	Mar	4/2/14	16.33	376
CWAY	Coastway Bancorp, Inc.	NASDAQ	NE	Warwick	RI	633	11	Dec	1/15/14	16.95	75
DCOM	Dime Community Bancshares, Inc.	NASDAQ	MA	Brooklyn	NY	5,822	27	Dec	6/26/96	21.75	815
ESBK	Elmira Savings Bank	NASDAQ	MA	Elmira	NY	567	13	Dec	3/1/85	21.50	59
ENFC	Entegra Financial Corp.	NASDAQ	SE	Franklin	NC	1,218	16	Dec	10/1/14	23.15	150
EQFN	Equitable Financial Corp.	NASDAQ	MW	Grand Island	NE	228	6	Jun	7/9/15	10.15	34
ESSA	ESSA Bancorp, Inc.	NASDAQ	MA	Stroudsburg	PA	1,772	27	Sep	4/4/07	16.48	189
FCAP	First Capital, Inc.	NASDAQ	MW	Corydon	IN	742	17	Dec	1/4/99	33.00	110
FBNK	First Connecticut Bancorp, Inc.	NASDAQ	NE	Farmington	CT	2,832	27	Dec	6/30/11	24.30	386
FDEF	First Defiance Financial Corp.	NASDAQ	MW	Defiance	OH	2,450	35	Dec	10/2/95	49.61	446
FNWB	First Northwest Bancorp	NASDAQ	WE	Port Angeles	WA	1,049	11	Jun	1/30/15	15.61	190
FBC	Flagstar Bancorp, Inc.	NYSE	MW	Troy	MI	14,273	99	Dec	4/30/97	28.47	1,618
FSBW	FS Bancorp, Inc.	NASDAQ	WE	Mountlake Terrace	WA	827	12	Dec	7/10/12	37.41	114
FSBC	FSB Bancorp, Inc.	NASDAQ	MA	Fairport	NY	260	5	Dec	7/14/16	14.24	28
HBK	Hamilton Bancorp, Inc.	NASDAQ	MA	Towson	MD	517	7	Mar	10/10/12	15.30	52
HIFS	Hingham Institution for Savings	NASDAQ	NE	Hingham	MA	1,960	13	Dec	12/13/88	189.90	405
HMNF	HMN Financial, Inc.	NASDAQ	MW	Rochester	MN	686	13	Dec	6/30/94	18.15	81
HFBL	Home Federal Bancorp, Inc. of Louisiana	NASDAQ	SW	Shreveport	LA	390	7	Jun	12/22/10	28.15	55
HVBC	HV Bancorp, Inc.	NASDAQ	MA	Huntingdon Valley	PA	177	6	Jun	1/12/17	14.16	31
IROQ	IF Bancorp, Inc.	NASDAQ	MW	Watseka	IL	589	6	Jun	7/8/11	20.40	80
ISBC	Investors Bancorp, Inc.	NASDAQ	MA	Short Hills	NJ	22,536	153	Dec	5/8/14	14.75	4,564
JXSB	Jacksonville Bancorp, Inc.	NASDAQ	MW	Jacksonville	IL	331	6	Dec	7/15/10	30.01	54
KRNY	Kearny Financial Corp.	NASDAQ	MA	Fairfield	NJ	4,523	42	Jun	5/19/15	15.30	1,350
MLVF	Malvern Bancorp, Inc.	NASDAQ	MA	Paoli	PA	821	9	Sep	10/12/12	20.90	137
MELR	Melrose Bancorp, Inc.	NASDAQ	NE	Melrose	MA	267	1	Dec	10/22/14	18.00	47
EBSB	Meridian Bancorp, Inc.	NASDAQ	NE	Peabody	MA	4,173	32	Dec	7/29/14	19.15	1,026
CASH	Meta Financial Group, Inc.	NASDAQ	MW	Sioux Falls	SD	4,006	10	Sep	9/20/93	87.05	814
MSBF	MSB Financial Corp.	NASDAQ	MA	Millington	NJ	434	5	Dec	7/17/15	16.18	92
NYCB	New York Community Bancorp, Inc.	NYSE	MA	Westbury	NY	49,463	259	Dec	11/23/93	15.40	7,501
NFBK	Northfield Bancorp, Inc.	NASDAQ	MA	Woodbridge	NJ	3,785	38	Dec	1/25/13	18.90	917
NWBI	Northwest Bancshares, Inc.	NASDAQ	MA	Warren	PA	9,715	177	Dec	12/18/09	18.59	1,891
OCFC	OceanFirst Financial Corp.	NASDAQ	MA	Toms River	NJ	4,151	62	Dec	7/3/96	29.38	944
ORIT	Oritani Financial Corp.	NASDAQ	MA	Township of Washington	NJ	3,795	27	Jun	6/24/10	17.15	787
OTTW	Ottawa Bancorp, Inc.	NASDAQ	MW	Ottawa	IL	276	3	Dec	10/12/16	13.84	48
PBHC	Pathfinder Bancorp, Inc.	NASDAQ	MA	Oswego	NY	717	17	Dec	10/17/14	14.84	63
PBBI	PB Bancorp, Inc.	NASDAQ	NE	Putnam	CT	506	8	Jun	1/8/16	10.75	85
PBSK	Poage Bankshares, Inc.	NASDAQ	MW	Ashland	KY	449	10	Dec	9/13/11	20.20	75

Exhibit III-1
Characteristics of Publicly-Traded Thrifts
February 24, 2017

Ticker	Financial Institution	Exchange	Region	City	State	Total Assets (\$Mil)	Offices	Fiscal Mth End	Conv. Date	As of February 24, 2017	
										Stock Price (\$)	Market Value (\$Mil)
PROV	Provident Financial Holdings, Inc.	NASDAQ	WE	Riverside	CA	1,243	15	Jun	6/28/96	19.12	152
PFS	Provident Financial Services, Inc.	NYSE	MA	Iselin	NJ	9,390	87	Dec	1/16/03	26.78	1,770
PBIP	Prudential Bancorp, Inc.	NASDAQ	MA	Philadelphia	PA	559	11	Sep	10/10/13	17.23	155
RNDB	Randolph Bancorp, Inc.	NASDAQ	NE	Stoughton	MA	490	6	Dec	7/1/16	14.87	87
RVSB	Riverview Bancorp, Inc.	NASDAQ	WE	Vancouver	WA	984	21	Mar	10/1/97	7.55	170
SVBI	Severn Bancorp, Inc.	NASDAQ	MA	Annapolis	MD	778	5	Dec	1/0/00	7.15	87
SIFI	SI Financial Group, Inc.	NASDAQ	NE	Willimantic	CT	1,538	25	Dec	1/13/11	14.80	181
SBCP	Sunshine Bancorp, Inc.	NASDAQ	SE	Plant City	FL	564	18	Dec	7/15/14	18.87	151
TBNK	Territorial Bancorp Inc.	NASDAQ	WE	Honolulu	HI	1,849	29	Dec	7/13/09	33.27	325
TSBK	Timberland Bancorp, Inc.	NASDAQ	WE	Hoquiam	WA	891	22	Sep	1/13/98	21.16	155
TRST	TrustCo Bank Corp NY	NASDAQ	MA	Glenville	NY	4,813	145	Dec	1/0/00	8.40	805
UCBA	United Community Bancorp	NASDAQ	MW	Lawrenceburg	IN	528	8	Jun	1/10/13	17.50	73
UCFC	United Community Financial Corp.	NASDAQ	MW	Youngstown	OH	2,160	35	Dec	7/9/98	8.75	434
UBNK	United Financial Bancorp, Inc.	NASDAQ	NE	Glastonbury	CT	6,545	54	Dec	3/4/11	18.30	930
WSBF	Waterstone Financial, Inc.	NASDAQ	MW	Wauwatosa	WI	1,795	13	Dec	1/23/14	18.75	552
WAYN	Wayne Savings Bancshares, Inc.	NASDAQ	MW	Wooster	OH	446	11	Dec	1/9/03	17.50	49
WCFB	WCF Bancorp, Inc.	NASDAQ	MW	Webster City	IA	124	2	Dec	7/14/16	9.87	25
WEBK	Wellesley Bancorp, Inc.	NASDAQ	NE	Wellesley	MA	666	6	Dec	1/26/12	27.50	68
WBB	Westbury Bancorp, Inc.	NASDAQ	MW	West Bend	WI	703	8	Sep	4/10/13	21.19	86
WNEB	Western New England Bancorp, Inc.	NASDAQ	NE	Westfield	MA	1,378	23	Dec	1/4/07	9.80	298
WBKC	Wolverine Bancorp, Inc.	NASDAQ	MW	Midland	MI	369	3	Dec	1/20/11	34.27	72
WSFS	WSFS Financial Corporation	NASDAQ	MA	Wilmington	DE	6,628	64	Dec	11/26/86	46.60	1,463
WVFC	WVS Financial Corp.	NASDAQ	MA	Pittsburgh	PA	335	6	Jun	11/29/93	15.40	31
GCBC	Greene County Bancorp, Inc. (MHC)	NASDAQ	MA	Catskill	NY	893	15	Jun	12/30/98	22.30	190
HONE	HarborOne Bancorp, Inc. (MHC)	NASDAQ	NE	Brockton	MA	2,347	17	Dec	6/30/16	19.79	636
KFFB	Kentucky First Federal Bancorp (MHC)	NASDAQ	MW	Frankfort	KY	295	7	Jun	3/3/05	10.00	85
LSBK	Lake Shore Bancorp, Inc. (MHC)	NASDAQ	MA	Dunkirk	NY	478	11	Dec	4/4/06	15.86	97
MGYR	Magyar Bancorp, Inc. (MHC)	NASDAQ	MA	New Brunswick	NJ	584	6	Sep	1/24/06	13.17	77
OFED	Oconee Federal Financial Corp. (MHC)	NASDAQ	SE	Seneca	SC	484	7	Jun	1/14/11	23.82	138
PVBC	Provident Bancorp, Inc. (MHC)	NASDAQ	NE	Amesbury	MA	768	8	Dec	7/16/15	19.05	184
TFSL	TFS Financial Corporation (MHC)	NASDAQ	MW	Cleveland	OH	12,906	38	Sep	4/23/07	17.17	4,867

Source: SNL Financial, LC.

EXHIBIT III-2

Public Market Pricing of Mid-Atlantic Thrift Institutions

Exhibit III-2
Public Market Pricing of Mid-Atlantic Institutions
As of February 24, 2017

	Market Capitalization		Per Share Data		Pricing Ratios(2)					Dividends(3)			Financial Characteristics(5)									
	Price/Share	Market Value (\$Mil)	Core EPS(1)	Book Value/Share	P/E	P/B	P/A	P/TB	P/Core	Amount/Share	Yield	Payout Ratio(4)	Total Assets (\$Mil)	Equity/Assets (%)	Tang. Eq./T. Assets (%)	NPAs/Assets (%)	Reported		Core			
	(\$)	(\$Mil)	(\$)	(\$)	(x)	(%)	(%)	(%)	(x)	(\$)	(%)	(%)	(\$Mil)	(%)	(%)	(%)	ROAA (%)	ROAE (%)	ROAA (%)	ROAE (%)		
All Non-MHC Public Companies(6)																						
Averages	\$22.59	\$ 579.95	\$ 1.07	\$16.18	20.02x	133.03%	16.27%	146.71%	20.60x	\$ 0.36	1.56%	46.46%	\$ 3,274	12.70%	12.05%	1.06%	0.70%	5.90%	0.72%	6.03%		
Median	\$18.23	\$ 153.70	\$ 0.79	\$14.60	19.49x	124.89%	16.06%	135.08%	20.15x	\$ 0.24	1.35%	40.49%	\$ 938	11.51%	11.04%	0.88%	0.62%	5.14%	0.65%	5.22%		
Mid-Atlantic Institutions																						
Averages	\$17.37	\$1,013.56	\$ 0.73	\$13.22	20.32x	133.92%	16.35%	154.20%	20.03x	\$ 0.33	1.73%	56.74%	\$ 5,725	12.83%	11.75%	1.16%	0.65%	5.44%	0.70%	5.68%		
Medians	\$16.33	\$ 375.98	\$ 0.66	\$13.66	19.41x	125.97%	16.06%	144.64%	20.15x	\$ 0.25	1.51%	52.90%	\$ 1,772	11.53%	10.27%	0.85%	0.49%	4.36%	0.65%	4.48%		
Comparable Group																						
AF	Astoria Financial Corporation	NY	\$18.68	\$1,890.61	\$ 0.67	\$15.57	30.13x	119.34%	13.10%	135.13%	29.33x	\$ 0.16	0.86%	25.81%	\$14,814	11.53%	10.41%	1.69%	0.49%	4.41%	0.51%	4.56%
BYBK	Bay Bancorp, Inc.	MD	\$ 7.50	\$ 78.42	\$ 0.18	\$ 6.28	NM	119.64%	12.64%	125.44%	NM	\$ 0.00	0.00%	NM	\$ 606	10.76%	10.27%	2.19%	0.33%	2.50%	0.41%	3.14%
BNCL	Beneficial Bancorp, Inc.	PA	\$16.85	\$1,279.15	\$ 0.40	\$13.41	NM	125.64%	NA	151.43%	NM	\$ 0.24	1.42%	52.94%	\$ 5,580	18.34%	15.70%	0.30%	0.44%	2.13%	0.56%	2.73%
CARV	Carver Bancorp, Inc.	NY	\$ 3.25	\$ 12.01	(\$ 0.42)	\$ 2.51	NM	190.58%	1.84%	190.58%	NM	\$ 0.00	0.00%	NM	\$ 702	7.75%	7.75%	2.45%	-0.06%	-0.80%	-0.18%	-2.36%
CSBK	Clifton Bancorp Inc.	NJ	\$16.33	\$ 375.98	\$ 0.19	\$13.12	NM	124.17%	27.45%	126.30%	NM	\$ 0.24	1.47%	120.00%	\$ 1,312	23.08%	23.08%	0.38%	0.36%	1.40%	0.36%	1.38%
DCOM	Dime Community Bancshares, Inc.	NY	\$21.75	\$ 814.66	\$ 1.05	\$14.79	11.04x	143.97%	13.57%	159.67%	22.52x	\$ 0.56	2.57%	28.43%	\$ 5,822	9.54%	8.67%	0.24%	1.57%	15.89%	0.73%	7.42%
ESBK	Elmira Savings Bank	NY	\$21.50	\$ 59.05	\$ 1.23	\$16.80	17.20x	128.45%	10.48%	175.58%	17.69x	\$ 0.92	4.28%	73.60%	\$ 567	9.83%	7.83%	NA	0.77%	7.81%	0.75%	7.67%
ESSA	ESSA Bancorp, Inc.	PA	\$16.48	\$ 189.49	\$ 0.71	\$15.48	22.89x	110.20%	10.62%	121.64%	23.90x	\$ 0.36	2.18%	50.00%	\$ 1,772	9.95%	9.11%	1.26%	0.45%	4.40%	0.44%	4.31%
FSCB	FSB Bancorp, Inc.	NY	\$14.24	\$ 27.61	\$ 0.28	\$16.20	29.06x	86.68%	10.09%	86.68%	NM	NA	NA	NM	\$ 260	12.11%	12.11%	0.01%	0.22%	2.52%	0.21%	2.42%
HBK	Hamilton Bancorp, Inc.	MD	\$15.30	\$ 52.16	\$ 0.15	\$18.10	NM	86.08%	10.45%	101.85%	NM	NA	NA	NM	\$ 517	11.95%	10.32%	1.16%	-0.01%	-0.04%	0.11%	0.78%
HVBC	HV Bancorp, Inc.	PA	\$14.16	\$ 30.90	NA	NA	NM	NA	NA	NA	NM	NA	NA	NM	\$ 177	7.45%	7.45%	0.93%	NA	NA	NA	NA
ISBC	Investors Bancorp, Inc.	NJ	\$14.75	\$4,564.38	\$ 0.60	\$10.03	23.05x	146.14%	19.70%	151.29%	23.22x	\$ 0.32	2.17%	43.75%	\$22,536	13.82%	13.49%	0.49%	0.86%	5.64%	0.86%	5.64%
KRNY	Kearny Financial Corp.	PA	\$15.30	\$1,350.08	\$ 0.19	\$12.57	NM	122.41%	29.76%	135.67%	NM	\$ 0.12	0.78%	52.38%	\$ 4,523	24.75%	22.89%	0.57%	0.39%	1.51%	0.39%	1.52%
MLVF	Malvern Bancorp, Inc.	PA	\$20.90	\$ 137.11	\$ 1.80	\$14.42	11.36x	143.22%	15.60%	143.22%	11.64x	\$ 0.11	0.00%	NM	\$ 821	11.52%	11.52%	0.45%	1.59%	14.05%	1.54%	13.61%
MSBF	MSB Financial Corp.	NJ	\$16.18	\$ 92.43	\$ 0.12	\$12.71	NM	126.30%	20.02%	126.30%	NM	\$ 0.00	0.00%	NM	\$ 434	16.74%	16.74%	3.53%	0.18%	0.90%	0.26%	1.34%
NYCB	New York Community Bancorp, Inc.	NY	\$15.40	\$7,500.67	\$ 1.20	\$12.50	15.25x	122.48%	15.33%	203.40%	15.05x	\$ 0.68	4.42%	67.33%	\$49,463	12.31%	7.77%	0.12%	-0.05%	-0.39%	1.16%	9.57%
NFBK	Northfield Bancorp, Inc.	NJ	\$18.90	\$ 917.15	\$ 0.58	\$12.84	33.16x	147.64%	23.82%	157.83%	30.06x	\$ 0.32	1.69%	56.14%	\$ 3,785	16.40%	15.50%	0.83%	0.66%	3.93%	0.74%	4.41%
NWBK	Northwest Bancshares, Inc.	PA	\$18.59	\$1,890.59	\$ 0.78	\$11.48	NM	161.50%	19.65%	227.56%	21.58x	\$ 0.64	3.44%	124.49%	\$ 9,715	11.97%	8.76%	1.24%	0.46%	3.57%	0.88%	6.79%
OCFC	OceanFirst Financial Corp.	NJ	\$29.38	\$ 944.18	\$ 1.41	\$16.14	29.98x	165.06%	18.27%	226.94%	20.15x	\$ 0.60	2.04%	57.14%	\$ 4,151	10.05%	8.50%	1.25%	0.69%	6.95%	0.91%	9.22%
ORIT	Oritani Financial Corp.	NJ	\$17.15	\$ 786.57	\$ 0.87	\$11.94	16.98x	146.06%	19.60%	146.06%	18.12x	\$ 0.70	4.08%	118.81%	\$ 3,795	14.22%	14.22%	0.30%	1.37%	9.19%	1.07%	7.19%
PBHC	Pathfinder Bancorp, Inc.	NY	\$14.84	\$ 62.87	\$ 0.65	\$13.91	19.03x	108.54%	NA	118.19%	21.71x	\$ 0.20	1.35%	25.64%	\$ 717	8.27%	7.66%	0.89%	0.48%	4.88%	0.43%	4.41%
PFS	Provident Financial Services, Inc.	NJ	\$26.78	\$1,769.68	\$ 1.40	\$18.84	19.41x	141.37%	18.63%	215.26%	19.46x	\$ 0.76	2.84%	52.90%	\$ 9,390	13.25%	9.16%	0.76%	0.96%	7.12%	0.98%	7.28%
PBIP	Prudential Bancorp, Inc.	PA	\$17.23	\$ 155.35	\$ 0.35	\$14.17	NM	122.55%	23.49%	122.55%	NM	\$ 0.12	0.70%	29.27%	\$ 559	20.38%	20.38%	3.39%	0.51%	2.36%	0.49%	2.29%
SVBK	Severn Bancorp, Inc.	MD	\$ 7.15	\$ 86.74	\$ 1.14	\$ 6.90	6.01x	102.44%	11.06%	102.84%	6.01x	\$ 0.00	0.00%	NM	\$ 778	11.16%	11.12%	4.11%	2.00%	17.36%	2.00%	17.36%
TRST	TrustCo Bank Corp NY	NY	\$ 8.40	\$ 804.55	\$ 0.43	\$ 4.56	18.88x	185.94%	16.52%	186.18%	19.21x	\$ 0.26	3.13%	58.99%	\$ 4,813	9.05%	9.04%	0.88%	0.88%	9.92%	0.87%	9.75%
WSFS	WSFS Financial Corporation	DE	\$46.60	\$1,462.77	\$ 2.22	\$22.08	22.62x	212.82%	21.62%	280.92%	21.29x	\$ 0.28	0.60%	12.62%	\$ 6,628	10.44%	8.05%	0.64%	1.04%	9.85%	1.18%	11.12%
WVFC	WVS Financial Corp.	PA	\$15.40	\$ 30.93	\$ 0.73	\$16.44	19.49x	92.80%	9.09%	92.80%	19.57x	\$ 0.24	1.56%	27.85%	\$ 335	9.85%	9.85%	0.08%	0.42%	4.32%	0.42%	4.26%

- Core income, on a diluted per-share basis. Core income is net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain on the sale of securities, amortization of intangibles, goodwill and nonrecurring items. Assumed tax rate is 35%.
- P/E = Price to earnings; P/B = Price to book; P/A = Price to assets; P/TB = Price to tangible book value; and P/Core = Price to core earnings. P/E and P/Core =NM if the ratio is negative or above 35x.
- Indicated 12 month dividend, based on last quarterly dividend declared.
- Indicated 12 month dividend as a percent of trailing 12 month earnings.
- ROAA (return on average assets) and ROAE (return on average equity) are indicated ratios based on trailing 12 month earnings and average equity and assets balances.
- Excludes from averages and medians those companies the subject of actual or rumored acquisition activities or unusual operating characteristics.

Source: SNL Financial, LC. and RP Financial, LC. calculations. The information provided in this report has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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EXHIBIT III-3

Public Market Pricing of New England Thrift Institutions

Exhibit III-3
Public Market Pricing of New England Institutions
As of February 24, 2017

	Market Capitalization		Per Share Data		Pricing Ratios(2)					Dividends(3)			Financial Characteristics(5)								
	Price/Share	Market Value	Core EPS(1)	Book Value/Share	P/E	P/B	P/A	P/TB	P/Core	Amount/Share	Yield	Payout	Total Assets	Equity/Assets	Tang. Eq./T. Assets	NPAs/Assets	Reported		Core		
	(\$)	(\$Mil)	(\$)	(\$)	(x)	(%)	(%)	(%)	(x)	(\$)	(%)	(%)	(\$Mil)	(%)	(%)	(%)	ROAA	ROAE	ROAA	ROAE	
All Non-MHC Public Companies(6)																					
Averages	\$ 22.59	\$ 579.95	\$ 1.07	\$16.18	20.02x	133.03%	16.27%	146.71%	20.60x	\$ 0.36	1.56%	46.46%	\$3,274	12.70%	12.05%	1.06%	0.70%	5.90%	0.72%	6.03%	
Median	\$ 18.23	\$ 153.70	\$ 0.79	\$14.60	19.49x	124.89%	16.06%	135.08%	20.15x	\$ 0.24	1.35%	40.49%	\$ 938	11.51%	11.04%	0.88%	0.62%	5.14%	0.65%	5.22%	
New England Institutions																					
Averages	\$ 31.60	\$ 333.88	\$ 1.58	\$18.88	21.13x	136.43%	15.54%	141.95%	23.38x	\$ 0.34	1.19%	31.20%	\$1,952	12.04%	11.68%	0.81%	0.55%	5.07%	0.56%	5.12%	
Medians	\$ 18.30	\$ 253.72	\$ 0.67	\$14.63	20.81x	124.89%	14.34%	132.61%	22.53x	\$ 0.20	1.12%	24.00%	\$1,538	10.54%	10.54%	0.69%	0.50%	4.83%	0.49%	4.83%	
New England Institutions																					
BHBK Blue Hills Bancorp, Inc.	MA	\$ 18.65	\$ 499.07	\$ 0.27	\$14.43	NM	128.99%	20.21%	132.61%	NM	\$ 0.20	1.07%	40.00%	\$2,314	16.84%	16.45%	0.35%	0.33%	1.78%	0.32%	1.73%
BLMT BSB Bancorp, Inc.	MA	\$ 27.85	\$ 253.72	NA	\$17.23	20.94x	157.66%	11.75%	157.66%	NM	NA	NA	NM	\$2,074	7.56%	7.56%	0.41%	0.57%	7.15%	NA	NA
CWAY Coastway Bancorp, Inc.	RI	\$ 16.95	\$ 74.63	\$ 0.79	\$15.52	20.67x	108.84%	11.59%	108.84%	20.67x	NA	NA	NM	\$ 633	10.95%	10.95%	2.20%	0.59%	4.83%	0.59%	4.83%
FBNK First Connecticut Bancorp, Inc.	CT	\$ 24.30	\$ 386.31	\$ 0.87	\$16.17	24.30x	148.48%	13.61%	148.48%	24.38x	\$ 0.36	1.48%	24.00%	\$2,832	9.03%	9.03%	1.01%	0.49%	5.34%	0.48%	5.22%
HIFS Hingham Institution for Savings	MA	\$189.90	\$ 405.01	\$ 10.31	\$72.35	17.44x	251.52%	20.10%	251.52%	17.61x	\$ 1.28	0.67%	14.33%	\$1,960	7.86%	7.86%	0.28%	1.21%	15.48%	1.20%	15.32%
MELR Melrose Bancorp, Inc.	MA	\$ 18.00	\$ 46.84	\$ 0.28	\$16.61	NM	108.38%	17.58%	108.38%	NM	NA	NA	NM	\$ 267	16.23%	16.23%	0.00%	0.42%	2.26%	0.29%	1.55%
EBSB Meridian Bancorp, Inc.	MA	\$ 19.15	\$1,026.37	\$ 0.56	\$11.12	29.46x	169.01%	23.14%	172.90%	31.26x	\$ 0.12	0.63%	18.46%	\$4,173	14.31%	14.03%	0.69%	0.80%	5.05%	0.79%	5.02%
PBBI PB Bancorp, Inc.	CT	\$ 10.75	\$ 84.71	\$ 0.12	\$10.85	NM	98.95%	16.27%	107.64%	NM	\$ 0.12	1.12%	54.76%	\$ 506	16.87%	15.72%	NA	0.18%	1.23%	0.19%	1.27%
RNDB Randolph Bancorp, Inc.	MA	\$ 14.87	\$ 87.27	NA	\$14.63	NM	101.65%	17.83%	101.78%	NM	NA	NA	NM	\$ 490	17.54%	17.52%	1.41%	NA	2.73%	NA	3.81%
SIH SI Financial Group, Inc.	CT	\$ 14.80	\$ 180.72	NA	\$13.08	15.58x	109.71%	11.65%	122.75%	NM	\$ 0.20	1.35%	17.89%	\$1,538	10.39%	9.35%	1.13%	0.42%	3.98%	NA	NA
UBNK United Financial Bancorp, Inc.	CT	\$ 18.30	\$ 929.69	\$ 1.02	\$13.00	18.48x	141.75%	14.09%	173.88%	17.02x	\$ 0.48	2.62%	48.48%	\$6,545	10.03%	8.32%	0.84%	0.72%	7.12%	0.82%	8.08%
WEBK Wellesley Bancorp, Inc.	MA	\$ 27.50	\$ 68.33	\$ 1.32	\$22.52	22.18x	123.76%	9.83%	123.76%	NM	\$ 0.16	0.58%	12.90%	\$ 666	8.31%	8.31%	NA	0.50%	5.81%	0.50%	5.79%
WNEB Western New England Bancorp, Inc.	MA	\$ 9.80	\$ 297.73	\$ 0.30	\$ 7.92	NM	124.89%	14.34%	135.20%	29.34x	\$ 0.12	1.22%	50.00%	\$1,378	10.54%	10.54%	0.59%	0.33%	3.11%	0.39%	3.71%

- (1) Core income, on a diluted per-share basis. Core income is net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, gain on the sale of securities, amortization of intangibles, goodwill and nonrecurring items. Assumed tax rate is 35%.
- (2) P/E = Price to earnings; P/B = Price to book; P/A = Price to assets; P/TB = Price to tangible book value; and P/Core = Price to core earnings. P/E and P/Core =NM if the ratio is negative or above 35x.
- (3) Indicated 12 month dividend, based on last quarterly dividend declared.
- (4) Indicated 12 month dividend as a percent of trailing 12 month earnings.
- (5) ROAA (return on average assets) and ROAE (return on average equity) are indicated ratios based on trailing 12 month earnings and average equity and assets balances.
- (6) Excludes from averages and medians those companies the subject of actual or rumored acquisition activities or unusual operating characteristics.

Source: SNL Financial, LC. and RP Financial, LC. calculations. The information provided in this report has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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EXHIBIT III-4

Peer Group Market Area Comparative Analysis

Exhibit III-4
Peer Group Market Area Comparative Analysis

Institution	County	Population		Proj.	2010-2017 % Change	2017-2022 % Change	Per Capita Income		Deposit Market Share(1)
		2010	2017	2022			2017	% State Average	
Bay Bancorp, Inc. - MD	Howard	287,085	320,499	340,706	1.6%	1.2%	53,069	134.6%	0.34%
Clifton Bancorp, Inc. - NJ	Passaic	501,226	513,394	523,070	0.3%	0.4%	30,738	76.4%	4.56%
Coastway Bancorp, Inc. - RI	Kent	166,158	164,657	164,480	-0.1%	0.0%	36,695	107.5%	5.54%
Elmira Savings Bank - NY	Chemung	88,830	86,282	85,256	-0.4%	-0.2%	29,868	83.6%	26.23%
Malvern Bancorp, Inc. - PA	Chester	498,886	520,584	533,821	0.6%	0.5%	47,548	148.5%	3.85%
Pathfinder Bancorp, Inc. - NY	Oswego	122,109	119,387	118,576	-0.3%	-0.1%	25,871	72.4%	24.36%
PB Bancorp, Inc. - CT	Windham	118,428	115,983	114,922	-0.3%	-0.2%	29,250	69.8%	18.61%
Prudential Bancorp, Inc. - PA	Philadelphia	1,526,006	1,577,265	1,608,752	0.5%	0.4%	24,834	77.6%	0.98%
Wellesley Bancorp, Inc. - MA	Norfolk	670,850	702,290	726,490	0.7%	0.7%	52,193	125.5%	1.78%
Western New England - MA	Hampden	463,490	472,757	483,326	0.3%	0.4%	29,242	70.3%	14.47%
	Averages:	444,307	459,310	469,940	0.3%	0.3%	35,931	96.6%	10.07%
	Medians:	375,288	396,628	412,016	0.3%	0.4%	30,303	80.6%	5.05%
Ponce Bank - NY	Bronx	1,385,108	1,475,915	1,534,568	0.9%	0.8%	18,469	51.7%	1.95%

(1) Total institution deposits in headquarters county as percent of total county deposits as of June 30, 2016.

Sources: SNL Financial LC, FDIC.

EXHIBIT IV-1

**Stock Prices:
As of February 24, 2017**

Exhibit IV-1A
Weekly Thrift Market Line - Part One
Prices As of February 24, 2017

			Market Capitalization			Price Change Data					Current Per Share Financials					
			Price/	Shares	Market	52 Week (1)		% Change From			LTM	LTM Core	BV/	TBV/	Assets/	
			Share(1)	Outstanding	Capitalization	High	Low	Last Wk	Last Wk	52 Wks (2)	MRY (2)	EPS (3)	EPS (3)	Share	Share (4)	Share
			(\$)	(000)	(\$Mil)	(\$)	(\$)	(\$)	(%)	(%)	(%)	(\$)	(\$)	(\$)	(\$)	(\$)
Companies																
ANCB	Anchor Bancorp	WA	26.35	2,505	66.0	27.50	22.61	26.65	-1.13	14.64	-3.13	0.29	0.29	25.46	25.46	174.06
ASBB	ASB Bancorp, Inc.	NC	32.50	3,788	123.1	32.71	24.07	32.45	0.15	31.31	9.24	1.47	1.21	24.12	24.12	210.46
AF	Astoria Financial Corporation	NY	18.68	101,210	1,890.6	19.26	14.11	18.88	-1.06	24.45	0.16	0.64	0.67	15.57	13.74	146.37
BCTF	Bancorp 34, Inc.	NM	12.75	3,438	43.8	13.45	7.91	12.70	0.39	45.03	1.27	0.34	0.35	9.01	8.92	95.43
BKMU	Bank Mutual Corporation	WI	10.00	45,692	456.9	10.20	7.20	9.85	1.52	35.32	5.82	0.37	0.38	6.32	6.32	58.07
BYBK	Bay Bancorp, Inc.	MD	7.50	10,456	78.4	8.25	4.76	7.85	-4.46	56.25	13.64	0.14	0.18	6.28	5.96	57.99
BNCL	Beneficial Bancorp, Inc.	PA	16.85	75,914	1,279.2	19.00	12.34	16.80	0.30	35.45	-8.42	0.31	0.40	13.41	11.13	73.51
BHBK	Blue Hills Bancorp, Inc.	MA	18.65	26,760	499.1	19.73	13.29	18.90	-1.32	39.49	-0.53	0.28	0.27	14.43	14.03	86.46
BOFI	BofI Holding, Inc.	CA	30.84	63,362	1,954.1	31.07	15.29	29.72	3.77	73.55	8.02	1.91	1.89	11.32	11.32	123.97
BYFC	Broadway Financial Corporation	CA	1.59	27,301	43.4	2.50	1.42	1.49	6.71	-1.85	-2.75	0.23	0.23	1.63	1.63	15.14
BLMT	BSB Bancorp, Inc.	MA	27.85	9,110	253.7	30.05	21.50	27.95	-0.36	28.34	-3.80	1.19	NA	17.23	17.23	227.63
CFFN	Capitol Federal Financial, Inc.	KS	15.29	137,976	2,109.6	17.04	12.45	15.41	-0.78	22.71	-7.11	0.63	0.63	10.13	10.13	67.17
CARV	Carver Bancorp, Inc.	NY	3.25	3,696	12.0	5.99	2.99	3.13	3.83	-12.16	0.79	-0.19	-0.42	2.51	2.51	189.86
CHFN	Charter Financial Corporation	GA	19.82	15,038	298.1	19.98	12.36	19.48	1.75	45.20	18.90	0.79	0.86	13.52	11.36	95.65
CSBK	Clifton Bancorp Inc.	NJ	16.33	23,024	376.0	17.49	14.11	16.42	-0.55	11.09	-3.49	0.19	0.19	13.12	13.12	56.99
CWAY	Coastway Bancorp, Inc.	RI	16.95	4,403	74.6	17.05	12.10	16.50	2.73	34.42	8.31	0.79	0.79	15.52	15.52	143.75
DCOM	Dime Community Bancshares, Inc.	NY	21.75	37,456	814.7	22.48	16.10	21.70	0.23	28.47	8.21	2.26	1.05	14.79	13.31	155.43
ESBK	Elmira Savings Bank	NY	21.50	2,747	59.0	22.25	16.83	21.50	0.00	20.98	5.13	1.26	1.23	16.80	12.29	206.60
ENFC	Entegra Financial Corp.	NC	23.15	6,468	149.7	23.35	16.95	23.10	0.22	35.54	12.38	0.92	1.04	21.37	20.90	188.38
EQFN	Equitable Financial Corp.	NE	10.15	3,391	34.4	10.15	8.15	10.01	1.40	19.41	2.53	0.31	0.32	10.43	10.43	67.21
ESSA	ESSA Bancorp, Inc.	PA	16.48	11,498	189.5	16.91	12.93	16.72	-1.44	22.99	4.83	0.73	0.71	15.48	14.05	154.15
FCAP	First Capital, Inc.	IN	33.00	3,338	110.1	35.00	26.00	33.00	0.00	24.53	1.79	1.91	2.04	23.55	21.22	222.34
FBNK	First Connecticut Bancorp, Inc.	CT	24.30	15,898	386.3	25.00	15.49	24.35	-0.21	51.97	7.28	0.89	0.87	16.17	16.17	178.14
FDEF	First Defiance Financial Corp.	OH	49.61	8,984	445.7	52.31	34.80	49.94	-0.66	28.22	-2.23	3.08	3.10	32.53	25.49	272.70
FNWB	First Northwest Bancorp	WA	15.61	12,154	189.7	16.75	12.29	15.97	-2.25	24.88	0.06	0.29	0.27	14.60	14.60	86.27
FBC	Flagstar Bancorp, Inc.	MI	28.47	56,825	1,617.8	29.64	19.02	28.44	0.11	48.44	5.68	2.60	2.74	22.72	22.72	251.18
FSBW	FS Bancorp, Inc.	WA	37.41	3,060	114.5	39.70	23.60	37.50	-0.24	53.32	4.06	3.35	3.58	26.02	24.65	270.46
FSBC	FSB Bancorp, Inc.	NY	14.24	1,939	27.6	14.90	9.19	14.31	-0.48	45.54	0.29	0.30	0.28	16.20	16.20	133.95
HBK	Hamilton Bancorp, Inc.	MD	15.30	3,409	52.2	15.60	13.19	15.25	0.33	9.83	7.37	-0.01	0.15	18.10	15.34	151.70
HIFS	Hingham Institution for Savings	MA	189.90	2,133	405.0	203.01	116.03	188.80	0.58	60.93	-3.50	10.41	10.31	72.35	72.35	919.15
HMNF	HMN Financial, Inc.	MN	18.15	4,489	81.5	18.70	11.01	18.50	-1.89	61.76	3.71	1.22	1.23	16.67	16.39	152.75
HFBL	Home Federal Bancorp, Inc. of Louisiana	LA	28.15	1,954	55.0	29.85	21.20	28.00	0.54	27.19	4.81	1.80	1.80	22.44	22.44	199.40
HVBC	HV Bancorp, Inc.	PA	14.16	2,182	30.9	14.58	13.08	13.95	1.51	NA	NA	NA	NA	NA	NA	81.17
IROC	IF Bancorp, Inc.	IL	20.40	3,940	80.4	20.44	17.29	20.28	0.59	18.26	10.27	1.08	0.98	21.12	21.12	149.40
ISBC	Investors Bancorp, Inc.	NJ	14.75	309,449	4,564.4	14.99	10.67	14.90	-1.01	28.60	5.73	0.60	0.60	10.03	9.75	72.83
JXSB	Jacksonville Bancorp, Inc.	IL	30.01	1,798	54.0	37.20	25.00	30.01	0.00	22.74	0.03	1.70	1.57	26.84	25.33	183.90
KRNY	Kearny Financial Corp.	NJ	15.30	88,240	1,350.1	16.10	11.74	15.60	-1.92	30.32	-1.61	0.19	0.19	12.57	11.34	51.26
MLVF	Malvern Bancorp, Inc.	PA	20.90	6,560	137.1	21.50	15.00	21.00	-0.48	26.02	-1.18	1.86	1.80	14.42	14.42	125.19
MELR	Melrose Bancorp, Inc.	MA	18.00	2,602	46.8	18.10	14.60	17.30	4.05	20.00	0.28	0.41	0.28	16.61	16.61	102.50
EBSB	Meridian Bancorp, Inc.	MA	19.15	53,596	1,026.4	20.55	13.41	19.45	-1.54	38.67	1.32	0.56	0.56	11.12	10.86	77.86
CASH	Meta Financial Group, Inc.	SD	87.05	9,346	813.5	106.90	39.39	86.90	0.17	113.78	-15.40	3.92	4.65	39.30	31.57	428.69
MSBF	MSB Financial Corp.	NJ	16.18	5,714	92.4	16.30	12.25	15.44	4.77	28.59	10.04	0.12	0.12	12.71	12.71	75.89

NYCB	New York Community Bancorp, Inc.	NY	15.40	487,057	7,500.7	17.68	13.74	15.19	1.38	0.85	-3.21	-0.08	1.20	12.50	7.50	101.55
NFBK	Northfield Bancorp, Inc.	NJ	18.90	48,527	917.2	20.59	14.31	18.35	3.00	23.05	-5.36	0.52	0.58	12.84	12.00	77.99
NWBI	Northwest Bancshares, Inc.	PA	18.59	101,699	1,890.6	19.10	12.44	17.96	3.51	49.38	3.11	0.41	0.78	11.48	8.11	95.52
OCFC	OceanFirst Financial Corp.	NJ	29.38	32,137	944.2	30.70	16.77	29.44	-0.20	73.85	-2.16	1.07	1.41	16.14	13.42	129.17
ORIT	Oritani Financial Corp.	NJ	17.15	45,864	786.6	19.00	15.27	17.25	-0.58	2.57	-8.53	1.12	0.87	11.94	11.94	82.74
OTTW	Ottawa Bancorp, Inc.	IL	13.84	3,467	48.0	13.94	8.39	13.16	5.16	64.99	8.72	0.39	0.41	9.23	8.93	79.62
PBHC	Pathfinder Bancorp, Inc.	NY	14.84	4,237	62.9	15.19	10.76	15.09	-1.66	23.67	10.01	0.73	0.65	13.91	12.79	169.26
PBBI	PB Bancorp, Inc.	CT	10.75	7,880	84.7	10.85	8.20	10.85	-0.92	23.85	8.63	0.12	0.12	10.85	9.97	64.27
PBSK	Poage Bankshares, Inc.	KY	20.20	3,714	75.0	20.90	15.50	20.20	0.00	19.53	7.45	0.52	0.60	18.78	18.14	120.88
PROV	Provident Financial Holdings, Inc.	CA	19.12	7,953	152.1	20.66	16.81	18.88	1.27	11.75	-5.44	0.80	0.81	16.70	16.70	156.23
PFS	Provident Financial Services, Inc.	NJ	26.78	66,082	1,769.7	28.92	18.58	26.53	0.94	43.21	-5.37	1.37	1.40	18.84	12.44	142.10
PBIP	Prudential Bancorp, Inc.	PA	17.23	9,016	155.3	17.95	13.80	17.48	-1.43	12.76	0.64	0.36	0.35	14.17	14.17	62.05
RNDB	Randolph Bancorp, Inc.	MA	14.87	5,869	87.3	16.50	12.06	15.25	-2.49	NA	-7.75	NA	NA	14.63	14.61	83.42
RVSB	Riverview Bancorp, Inc.	WA	7.55	22,511	170.0	8.16	4.20	7.50	0.67	77.26	7.86	0.29	0.30	4.93	3.79	43.71
SVBI	Severn Bancorp, Inc.	MD	7.15	12,131	86.7	8.08	5.05	7.20	-0.69	38.83	-9.49	1.14	1.14	6.90	6.87	64.11
SIFI	SI Financial Group, Inc.	CT	14.80	12,211	180.7	16.23	12.30	15.00	-1.33	5.87	-3.90	0.53	NA	13.08	11.64	125.96
SBCP	Sunshine Bancorp, Inc.	FL	18.87	7,986	150.7	19.05	13.85	18.81	0.32	32.89	10.09	-0.35	-0.33	13.82	11.92	70.62
TBNK	Territorial Bancorp Inc.	HI	33.27	9,779	325.3	34.00	24.96	33.55	-0.83	28.51	1.31	1.69	1.66	23.39	23.39	189.04
TSBK	Timberland Bancorp, Inc.	WA	21.16	7,345	155.4	22.75	12.20	22.01	-3.86	70.51	2.42	1.43	1.42	13.95	13.13	121.35
TRST	TrustCo Bank Corp NY	NY	8.40	95,780	804.6	9.00	5.60	8.50	-1.18	48.15	-4.00	0.44	0.43	4.56	4.55	50.25
UCBA	United Community Bancorp	IN	17.50	4,193	73.4	17.50	13.25	17.30	1.16	29.63	4.79	0.86	0.81	16.83	16.17	125.95
UCFC	United Community Financial Corp.	OH	8.75	49,619	434.2	9.50	5.53	8.90	-1.69	47.31	-2.13	0.38	0.37	5.51	5.48	43.54
UBNK	United Financial Bancorp, Inc.	CT	18.30	50,803	929.7	18.66	11.57	18.41	-0.60	57.76	0.77	0.90	1.02	13.00	10.60	128.83
WSBF	Waterstone Financial, Inc.	WI	18.75	29,430	551.8	19.40	13.50	19.20	-2.34	35.57	1.90	0.81	0.81	13.94	13.92	60.99
WAYN	Wayne Savings Bancshares, Inc.	OH	17.50	2,782	48.7	18.75	11.90	18.30	-4.37	35.66	6.06	0.92	0.92	14.88	14.27	160.25
WCFB	WCF Bancorp, Inc.	IA	9.87	2,563	25.3	10.97	8.15	9.91	-0.41	6.76	-1.33	0.10	0.07	11.54	11.51	48.40
WEBK	Wellesley Bancorp, Inc.	MA	27.50	2,485	68.3	28.00	18.58	27.10	1.48	46.98	-0.90	1.33	1.32	22.52	22.52	268.13
WBB	Westbury Bancorp, Inc.	WI	21.19	4,073	86.3	23.00	18.75	22.62	-6.35	11.62	2.35	0.93	0.83	19.43	19.43	172.51
WNEB	Western New England Bancorp, Inc.	MA	9.80	30,380	297.7	9.95	7.35	9.60	2.08	19.22	4.81	0.25	0.30	7.92	7.92	45.35

Exhibit IV-1A
Weekly Thrift Market Line - Part One
Prices As of February 24, 2017

			Market Capitalization			Price Change Data					Current Per Share Financials					
			Price/ Share(1)	Shares Outstanding	Market Capitalization	52 Week (1)		Last Wk	% Change From			LTM	LTM Core	BV/ Share	TBV/ Share (4)	Assets/ Share
			(\$)	(000)	(\$Mil)	High (\$)	Low (\$)	(\$)	Last Wk (%)	52 Wks (2) (%)	MRY (2) (%)	EPS (3) (\$)	EPS (3) (\$)	(\$)	(\$)	(\$)
Companies																
WBKC	Wolverine Bancorp, Inc.	MI	34.27	2,099	71.9	34.35	25.26	34.27	0.00	33.84	8.45	2.14	2.14	29.97	29.97	175.88
WSFS	WSFS Financial Corporation	DE	46.60	31,390	1,462.8	48.20	28.01	46.05	1.19	59.59	0.54	1.97	2.22	22.08	16.59	211.14
WVFC	WVS Financial Corp.	PA	15.40	2,008	30.9	15.50	10.73	15.11	1.95	32.67	4.58	0.74	0.73	16.44	16.44	166.85
MHCs																
GCBC	Greene County Bancorp, Inc. (MHC)	NY	22.30	8,503	189.6	25.20	15.40	23.55	-5.31	14.51	-2.62	1.10	1.10	9.00	9.00	105.04
HONE	HarborOne Bancorp, Inc. (MHC)	MA	19.79	32,121	635.7	20.19	12.53	19.57	1.12	NA	2.33	NA	NA	10.21	9.79	73.07
KFFB	Kentucky First Federal Bancorp (MHC)	KY	10.00	8,484	84.8	10.15	8.00	9.98	0.22	11.11	11.28	0.16	0.16	7.96	6.25	34.79
LSBK	Lake Shore Bancorp, Inc. (MHC)	NY	15.86	6,098	96.7	16.59	12.97	15.91	-0.31	20.61	-2.50	0.71	0.51	12.68	12.68	78.46
MGYR	Magyar Bancorp, Inc. (MHC)	NJ	13.17	5,821	76.6	13.24	9.51	13.00	1.27	34.15	9.71	0.19	0.18	8.20	8.20	100.40
OFED	Oconee Federal Financial Corp. (MHC)	SC	23.82	5,791	137.9	24.25	18.53	23.25	2.45	17.92	1.36	0.87	0.86	14.70	14.13	83.62
PVBC	Provident Bancorp, Inc. (MHC)	MA	19.05	9,652	183.9	19.95	12.88	19.65	-3.05	46.54	6.42	NA	NA	11.41	11.41	79.59
TFSL	TFS Financial Corporation (MHC)	OH	17.17	283,468	4,867.2	19.89	16.35	17.39	-1.27	1.90	-9.82	0.28	NA	5.84	5.81	45.53
Under Acquisition																
EVER	EverBank Financial Corp	FL	19.42	127,658	2,479.1	19.52	12.55	19.44	-0.10	54.37	-0.15	0.96	NA	13.92	13.53	224.84
GTWN	Georgetown Bancorp, Inc.	MA	25.80	1,841	47.5	26.00	19.15	25.80	0.00	33.33	-0.19	0.43	0.46	17.62	17.62	0.00

(1) Average of High/Low or Bid/Ask price per share.

(2) Or since offering price if converted of first listed in the past 52 weeks. Percent change figures are actual year-to-date and are not annualized.

(3) EPS (earnings per share) is based on actual trailing 12 month data and is not shown on a pro forma basis.

(4) Excludes intangibles (such as goodwill, value of core deposits, etc.).

(5) ROA (return on assets) and ROE (return on equity) are indicated ratios based on trailing 12 month common earnings and average common equity and total assets balances.

(6) Annualized based on last regular quarterly cash dividend announcement.

(7) Indicated dividend as a percent of trailing 12 month earnings.

(8) Excluded from averages due to actual or rumored acquisition activities or unusual operating characteristics.

(9) For MHC institutions, market value reflects share price multiplied by public (non-MHC) shares.

Source: SNL Financial, LC. and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

Exhibit IV-1B
Weekly Thrift Market Line - Part Two
Prices As of February 24, 2017

Companies		State	Key Financial Ratios						Asset Quality Ratios			Pricing Ratios				Dividend Data (6)		
			Equity/Assets(1)	Tang Equity/Assets(1)	Reported ROA(5)	Earnings ROE(5)	Core ROA(5)	Earnings ROE(5)	NPA/Assets	Rsvs/NPLs	Price/Earnings	Price/Book	Price/Assets	Price/Tang Book	Price/Core Earnings	Div/Share	Dividend Yield	Payout Ratio (7)
			(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(x)	(%)	(%)	(%)	(x)	(\$)	(%)	(%)
ANCB	Anchor Bancorp	WA	14.63	14.63	0.17	1.14	0.17	1.14	NA	39.88	45.95	104.17	15.14	104.17	45.95	NA	NA	NM
ASBB	ASB Bancorp, Inc.	NC	11.46	11.46	0.70	5.91	0.57	4.87	1.33	114.00	NM	134.88	15.45	134.88	22.58	NA	NA	NM
AF	Astoria Financial Corporation	NY	11.53	10.41	0.49	4.41	0.51	4.56	1.69	37.20	30.45	120.61	13.24	136.57	29.65	0.16	0.85	25.81
BCTF	Bancorp 34, Inc.	NM	9.44	9.36	0.41	3.85	0.43	4.04	0.37	179.30	37.14	140.93	13.31	142.31	35.86	0.59	0.00	NM
BKMU	Bank Mutual Corporation	WI	10.89	10.89	0.65	5.85	0.66	5.95	0.54	164.11	26.62	157.01	16.99	157.01	26.62	0.22	2.23	59.46
BYBK	Bay Bancorp, Inc.	MD	10.76	10.27	0.33	2.50	0.41	3.14	2.19	21.03	49.06	125.22	13.23	131.29	40.90	0.00	0.00	NM
BNCL	Beneficial Bancorp, Inc.	PA	18.34	15.70	0.44	2.13	0.56	2.73	0.30	286.82	49.41	125.26	NA	150.98	40.06	0.24	1.43	52.94
BHBK	Blue Hills Bancorp, Inc.	MA	16.84	16.45	0.33	1.78	0.32	1.73	0.35	221.90	54.00	130.72	20.48	134.39	56.38	0.20	1.06	45.71
BOFI	Boff Holding, Inc.	CA	9.19	9.19	1.70	18.81	1.68	18.63	0.56	89.01	15.09	251.54	23.07	251.54	15.18	NA	NA	NM
BYFC	Broadway Financial Corporation	CA	11.50	11.50	1.74	15.02	1.71	14.81	2.91	38.17	6.48	91.17	10.48	91.17	6.57	0.04	0.00	NM
BLMT	BSB Bancorp, Inc.	MA	7.56	7.56	0.57	7.15	NA	NA	0.41	152.33	21.02	158.23	11.80	158.23	NA	NA	NA	NM
CFFN	Capitol Federal Financial, Inc.	KS	15.03	15.03	0.74	5.95	0.74	5.91	0.60	16.33	24.85	155.34	23.25	155.34	25.01	0.34	2.21	141.94
CARV	Carver Bancorp, Inc.	NY	7.75	7.75	-0.06	-0.80	-0.18	-2.36	2.45	29.93	NM	183.54	1.77	183.54	NM	0.00	0.00	NM
CHFN	Charter Financial Corporation	GA	14.12	12.14	0.98	5.90	1.07	6.43	0.77	124.65	23.76	142.48	20.03	169.04	19.12	0.24	1.23	26.22
CSBK	Clifton Bancorp Inc.	NJ	23.08	23.08	0.36	1.40	0.36	1.38	0.38	129.90	NM	124.85	27.60	124.85	83.00	0.24	1.46	120.00
CWAY	Coastway Bancorp, Inc.	RI	10.95	10.95	0.59	4.83	0.59	4.83	2.20	18.19	20.12	105.95	11.28	105.95	20.12	NA	NA	NM
DCOM	Dime Community Bancshares, Inc.	NY	9.54	8.67	1.57	15.89	0.73	7.42	0.24	158.94	11.02	143.64	13.53	159.30	22.47	0.56	2.58	28.43
ESBK	Elmira Savings Bank	NY	9.83	7.83	0.77	7.81	0.75	7.67	NA	NA	17.20	128.45	10.48	175.59	17.69	0.92	4.28	73.60
ENFC	Entegra Financial Corp.	NC	11.34	11.12	0.54	4.45	0.62	5.05	1.78	53.29	23.57	112.27	11.56	114.90	21.15	NA	NA	NM
EQFN	Equitable Financial Corp.	NE	15.92	15.92	0.46	3.00	0.47	3.08	NA	NA	30.33	95.00	14.68	95.00	29.59	NA	NA	NM
ESSA	ESSA Bancorp, Inc.	PA	9.95	9.11	0.45	4.40	0.44	4.31	1.26	45.86	23.22	111.80	10.78	123.41	24.25	0.36	2.15	50.00
FCAP	First Capital, Inc.	IN	10.61	9.66	0.89	8.39	0.95	8.90	1.25	65.73	16.10	140.13	NA	155.50	16.17	0.84	2.55	40.98
FBNK	First Connecticut Bancorp, Inc.	CT	9.03	9.03	0.49	5.34	0.48	5.22	1.01	73.97	24.35	148.79	13.64	148.79	24.43	0.36	1.48	31.00
FDEF	First Defiance Financial Corp.	OH	11.92	9.59	1.19	9.93	1.20	10.00	1.14	94.92	15.66	153.10	18.12	195.15	15.35	1.00	2.00	28.53
FNWB	First Northwest Bancorp	WA	18.05	18.05	0.34	1.79	0.32	1.67	0.83	89.70	46.97	109.73	18.60	109.73	49.40	NA	NA	NM
FBC	Flagstar Bancorp, Inc.	MI	9.01	9.01	1.30	11.55	1.17	10.40	0.92	123.28	10.69	120.97	11.50	120.97	NA	0.00	0.00	NM
FSBW	FS Bancorp, Inc.	WA	9.61	9.16	1.32	13.33	1.41	14.26	0.08	NM	10.68	141.59	13.86	149.00	10.20	0.40	1.07	11.40
FSBC	FSB Bancorp, Inc.	NY	12.11	12.11	0.22	2.52	0.21	2.42	0.01	NM	29.20	87.09	10.14	87.09	NA	NA	NA	NM
HBK	Hamilton Bancorp, Inc.	MD	11.95	10.32	-0.01	-0.04	0.11	0.78	1.16	34.98	NM	85.80	10.42	101.52	88.71	NA	NA	NM
HIFS	Hingham Institution for Savings	MA	7.86	7.86	1.21	15.48	1.20	15.32	0.28	193.31	17.34	250.06	19.99	250.06	17.50	1.28	0.68	14.33
HMNF	HMN Financial, Inc.	MN	10.91	10.75	0.89	8.02	0.90	8.10	1.04	162.38	13.81	109.39	12.18	111.23	NA	0.00	0.00	NM
HFBL	Home Federal Bancorp, Inc. of Louisiana	LA	11.29	11.29	0.92	7.63	0.92	7.63	0.24	331.61	15.14	124.02	13.34	124.02	15.14	0.36	1.29	18.92
HVBC	HV Bancorp, Inc.	PA	7.45	7.45	NA	NA	NA	NA	0.93	41.67	NA	NA	NA	NA	NA	NA	NA	NA
IROQ	IF Bancorp, Inc.	IL	14.23	14.23	0.70	4.93	0.64	4.46	0.82	118.60	16.90	97.13	13.80	97.13	18.02	0.16	0.79	13.33
ISBC	Investors Bancorp, Inc.	NJ	13.82	13.49	0.86	5.64	0.86	5.64	0.49	210.34	23.28	147.63	19.90	152.83	23.46	0.32	2.15	43.75
JXSB	Jacksonville Bancorp, Inc.	IL	14.60	13.89	0.99	6.53	0.92	6.05	1.33	71.34	17.65	116.82	16.90	124.14	19.30	0.40	1.33	23.53
KRNY	Keamy Financial Corp.	NJ	24.75	22.89	0.39	1.51	0.39	1.52	0.57	102.49	NM	124.81	30.34	138.33	73.95	0.12	0.77	52.38
MLVF	Malvern Bancorp, Inc.	PA	11.52	11.52	1.59	14.05	1.54	13.61	0.45	148.63	11.41	143.90	15.67	143.90	11.70	0.11	0.00	NM
MELR	Melrose Bancorp, Inc.	MA	16.23	16.23	0.42	2.26	0.29	1.55	0.00	NM	42.20	104.17	16.90	104.17	61.76	NA	NA	NM
EBSB	Meridian Bancorp, Inc.	MA	14.31	14.03	0.80	5.05	0.79	5.02	0.69	134.22	29.92	171.65	23.50	175.61	31.75	0.12	0.62	18.46
CASH	Meta Financial Group, Inc.	SD	8.36	6.83	1.10	10.80	1.30	12.80	0.02	945.47	24.41	217.49	19.19	405.49	19.91	0.52	0.60	14.61
MSBF	MSB Financial Corp.	NJ	16.74	16.74	0.18	0.90	0.26	1.34	3.53	26.42	NM	120.55	19.11	120.55	77.20	0.00	0.00	NM
NYCB	New York Community Bancorp, Inc.	NY	12.31	7.77	-0.05	-0.39	1.16	9.57	0.12	380.89	15.04	120.81	15.12	200.63	14.84	0.68	4.48	67.33
NFBK	Northfield Bancorp, Inc.	NJ	16.40	15.50	0.66	3.93	0.74	4.41	0.83	77.25	32.19	143.35	23.13	153.24	29.19	0.32	1.74	56.14
NWBI	Northwest Bancshares, Inc.	PA	11.97	8.76	0.46	3.57	0.88	6.79	1.24	54.76	36.65	156.02	18.98	219.85	20.85	0.64	3.56	124.49
OCFC	OceanFirst Financial Corp.	NJ	10.05	8.50	0.69	6.95	0.91	9.22	1.25	36.40	30.04	165.39	18.31	227.40	20.19	0.60	2.04	57.14
ORIT	Oritani Financial Corp.	NJ	14.22	14.22	1.37	9.19	1.07	7.19	0.30	273.73	17.08	146.92	19.72	146.92	18.22	0.70	4.06	118.81
OTTW	Ottawa Bancorp, Inc.	IL	11.54	11.21	0.59	4.15	0.62	4.37	2.00	42.36	37.35	87.77	19.83	89.51	35.74	0.16	1.22	11.35
PBHC	Pathfinder Bancorp, Inc.	NY	8.27	7.66	0.48	4.88	0.43	4.41	0.89	106.87	19.35	110.36	NA	120.19	22.07	0.20	1.33	25.64
PBBI	PB Bancorp, Inc.	CT	16.87	15.72	0.18	1.23	0.19	1.27	NA	NA	51.67	99.87	16.43	108.64	64.11	0.12	1.11	54.76
PBSK	Poage Bankshares, Inc.	KY	15.54	15.09	0.43	2.68	0.50	3.08	1.78	33.13	38.85	107.55	16.71	111.33	33.65	0.24	1.19	53.85
PROV	Provident Financial Holdings, Inc.	CA	10.72	10.72	0.56	4.88	0.57	4.93	1.09	87.14	21.70	112.74	12.54	112.74	21.50	0.52	2.75	58.62

PFS	Provident Financial Services, Inc.	NJ	13.25	9.16	0.96	7.12	0.98	7.28	0.76	99.95	19.22	140.05	18.45	213.25	19.28	0.76	2.86	52.90
PBIP	Prudential Bancorp, Inc.	PA	20.38	20.38	0.51	2.36	0.49	2.29	3.39	17.79	42.63	124.33	23.83	124.33	43.65	0.12	0.69	21.95
RNDB	Randolph Bancorp, Inc.	MA	17.54	17.52	NA	2.73	NA	3.81	1.41	47.29	NA	104.25	18.28	104.38	NA	NA	NA	NA
RVSB	Riverview Bancorp, Inc.	WA	11.28	8.91	0.71	5.94	0.74	6.27	1.48	71.92	25.00	154.33	17.13	201.40	23.61	0.08	1.07	26.67
SVBI	Severn Bancorp, Inc.	MD	11.16	11.12	2.00	17.36	2.00	17.36	4.11	29.33	6.05	103.15	11.14	103.56	6.05	0.00	0.00	NM
SIFI	SI Financial Group, Inc.	CT	10.39	9.35	0.42	3.98	NA	NA	1.13	72.00	15.79	111.19	11.81	124.41	NA	0.20	1.33	17.89
SBCP	Sunshine Bancorp, Inc.	FL	12.89	11.32	-0.26	-1.85	-0.29	-2.04	0.41	126.26	NM	134.00	16.13	167.29	58.74	NA	NA	NM
TBNK	Territorial Bancorp Inc.	HI	12.36	12.36	0.85	7.00	0.84	6.86	0.38	39.11	19.06	142.78	17.47	142.78	19.35	0.80	2.38	53.41
TSBK	Timberland Bancorp, Inc.	WA	10.86	10.29	1.19	11.00	1.19	10.94	1.72	93.56	14.58	153.68	16.58	162.92	14.66	0.44	2.00	24.50
TRST	TrustCo Bank Corp NY	NY	9.05	9.04	0.88	9.92	0.87	9.75	0.88	117.51	19.10	188.16	16.72	188.40	19.44	0.26	3.09	44.24
UCBA	United Community Bancorp	IN	13.38	12.92	0.68	5.14	0.64	4.84	1.02	84.53	21.63	105.41	13.81	109.84	22.03	0.24	1.39	30.00
UCFC	United Community Financial Corp.	OH	11.87	11.81	0.89	7.33	0.86	7.09	1.96	45.00	22.31	166.14	18.92	167.19	22.14	0.12	1.35	28.82
UBNK	United Financial Bancorp, Inc.	CT	10.03	8.32	0.72	7.12	0.82	8.08	0.84	78.87	18.60	142.60	14.17	174.92	17.12	0.48	2.61	48.48
WSBF	Waterstone Financial, Inc.	WI	22.82	22.79	1.26	5.59	1.26	5.59	1.38	90.49	23.70	137.76	31.43	137.96	23.70	0.48	2.50	40.74
WAYN	Wayne Savings Bancshares, Inc.	OH	9.29	8.94	0.57	6.20	0.57	6.20	0.96	68.18	22.32	124.08	11.19	129.51	NA	0.36	1.97	43.90
WCFB	WCF Bancorp, Inc.	IA	23.85	23.80	0.19	1.44	0.13	0.98	NA	105.80	NM	85.85	20.47	86.05	142.65	0.20	2.02	147.33
WEBK	Wellesley Bancorp, Inc.	MA	8.31	8.31	0.50	5.81	0.50	5.79	NA	NA	21.85	121.96	9.69	121.96	NA	0.16	0.59	12.10
WBB	Westbury Bancorp, Inc.	WI	11.33	11.33	0.51	4.49	0.46	4.02	0.52	146.36	26.61	117.64	12.57	117.64	30.03	NA	NA	NM
WNEB	Western New England Bancorp, Inc.	MA	10.54	10.54	0.33	3.11	0.39	3.71	0.59	122.46	40.00	122.34	14.05	132.44	28.74	0.12	1.25	50.00

Exhibit IV-1B
Weekly Thrift Market Line - Part Two
Prices As of February 24, 2017

		Key Financial Ratios						Asset Quality Ratios			Pricing Ratios				Dividend Data (6)			
		Equity/ Assets(1)	Tang Equity/ Assets(1)	Reported Earnings ROA(5)	Earnings ROE(5)	Core Earnings ROA(5)	Earnings ROE(5)	NPAs/ Assets	Rsvs/ NPLs	Price/ Earnings	Price/ Book	Price/ Assets	Price/ Tang Book	Price/ Core Earnings	Div/ Share	Dividend Yield	Payout Ratio (7)	
		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(x)	(%)	(%)	(%)	(x)	(\$)	(%)	(%)	
Companies																		
WBKC	Wolverine Bancorp, Inc.	MI	17.20	17.20	1.13	7.00	1.13	7.00	1.92	132.93	16.01	114.35	19.67	114.35	16.01	1.60	4.67	74.77
WSFS	WSFS Financial Corporation	DE	10.44	8.05	1.04	9.85	1.18	11.12	0.64	100.10	22.35	210.31	21.37	277.61	21.04	0.28	0.61	12.62
WVFC	WVS Financial Corp.	PA	9.85	9.85	0.42	4.32	0.42	4.26	0.08	149.21	19.12	91.03	8.92	91.03	19.20	0.24	1.59	27.85
MHCs																		
GCBC	Greene County Bancorp, Inc. (MHC)	NY	8.56	8.56	1.12	12.84	1.12	12.84	0.61	193.63	20.13	255.47	21.49	255.47	20.13	0.38	1.61	32.26
HONE	HarborOne Bancorp, Inc. (MHC)	MA	13.97	13.47	0.20	1.99	0.34	3.29	2.17	32.29	NA	190.84	25.68	199.05	NA	NA	NA	NA
KFFB	Kentucky First Federal Bancorp (MHC)	KY	22.87	18.88	0.43	1.86	0.43	1.86	NA	NA	NM	125.48	27.68	159.85	71.27	0.40	4.01	285.71
LSBK	Lake Shore Bancorp, Inc. (MHC)	NY	16.16	16.16	0.88	5.56	0.64	4.03	1.38	36.15	27.43	125.46	NA	125.46	NA	0.32	2.01	50.00
MGYR	Magyar Bancorp, Inc. (MHC)	NJ	8.17	8.17	0.19	2.28	0.18	2.19	3.69	32.31	68.42	157.94	12.88	157.94	69.76	NA	NA	NM
OFED	Oconee Federal Financial Corp. (MHC)	SC	17.59	17.03	1.05	6.21	1.04	6.16	1.15	19.69	24.73	160.46	27.93	166.94	25.05	0.40	1.72	42.55
PVBC	Provident Bancorp, Inc. (MHC)	MA	14.10	14.10	0.82	5.71	0.78	5.42	0.65	168.33	28.48	173.77	23.84	173.77	30.64	NA	NA	NM
TFSL	TFS Financial Corporation (MHC)	OH	12.87	12.80	0.65	4.73	NA	NA	1.58	31.39	59.97	296.05	37.38	297.79	NA	0.50	2.88	155.17
Under Acquisition																		
EVER	EverBank Financial Corp	FL	6.60	6.45	0.49	7.07	NA	NA	0.74	45.16	18.34	132.32	8.92	135.81	18.65	0.24	1.23	22.64
GTWN	Georgetown Bancorp, Inc.	MA	10.30	10.30	0.25	2.39	0.27	2.55	NA	NA	NM	147.82	14.92	147.82	NA	0.20	0.78	181.82

- (1) Average of High/Low or Bid/Ask price per share.
- (2) Or since offering price if converted of first listed in the past 52 weeks. Percent change figures are actual year-to-date and are not annualized.
- (3) EPS (earnings per share) is based on actual trailing 12 month data and is not shown on a pro forma basis.
- (4) Excludes intangibles (such as goodwill, value of core deposits, etc.).
- (5) ROA (return on assets) and ROE (return on equity) are indicated ratios based on trailing 12 month common earnings and average common equity and total assets balances.
- (6) Annualized based on last regular quarterly cash dividend announcement.
- (7) Indicated dividend as a percent of trailing 12 month earnings.
- (8) Excluded from averages due to actual or rumored acquisition activities or unusual operating characteristics.
- (9) For MHC institutions, market value reflects share price multiplied by public (non-MHC) shares.

Source: SNL Financial, LC. and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

EXHIBIT IV-2

Historical Stock Price Indices

Exhibit IV-2
Historical Stock Price Indices(1)

Year/Qtr. Ended	DJIA	S&P 500	NASDAQ Composite	SNL Thrift Index	SNL Bank Index
2004: Quarter 1	10357.7	1126.2	1994.2	1585.3	562.20
Quarter 2	10435.5	1140.8	2047.8	1437.8	546.62
Quarter 3	10080.3	1114.6	1896.8	1495.1	556.00
Quarter 4	10783.0	1211.9	2175.4	1605.6	595.10
2005: Quarter 1	10503.8	1180.6	1999.2	1516.6	551.00
Quarter 2	10275.0	1191.3	2057.0	1577.1	563.27
Quarter 3	10568.7	1228.8	2151.7	1527.2	546.30
Quarter 4	10717.5	1248.3	2205.3	1616.4	582.80
2006: Quarter 1	11109.3	1294.8	2339.8	1661.1	595.50
Quarter 2	11150.2	1270.2	2172.1	1717.9	601.14
Quarter 3	11679.1	1335.9	2258.4	1727.1	634.00
Quarter 4	12463.2	1418.3	2415.3	1829.3	658.60
2007: Quarter 1	12354.4	1420.9	2421.6	1703.6	634.40
Quarter 2	13408.6	1503.4	2603.2	1645.9	622.63
Quarter 3	13895.6	1526.8	2701.5	1523.3	595.80
Quarter 4	13264.8	1468.4	2652.3	1058.0	492.85
2008: Quarter 1	12262.9	1322.7	2279.1	1001.5	442.5
Quarter 2	11350.0	1280.0	2293.0	822.6	332.2
Quarter 3	10850.7	1166.4	2082.3	760.1	414.8
Quarter 4	8776.4	903.3	1577.0	653.9	268.3
2009: Quarter 1	7608.9	797.9	1528.6	542.8	170.1
Quarter 2	8447.0	919.3	1835.0	538.8	227.6
Quarter 3	9712.3	1057.1	2122.4	561.4	282.9
Quarter 4	10428.1	1115.1	2269.2	587.0	260.8
2010: Quarter 1	10856.6	1169.4	2398.0	626.3	301.1
Quarter 2	9744.0	1030.7	2109.2	564.5	257.2
Quarter 3	9744.0	1030.7	2109.2	564.5	257.2
Quarter 4	11577.5	1257.6	2652.9	592.2	290.1
2011: Quarter 1	12319.7	1325.8	2781.1	578.1	293.1
Quarter 2	12414.3	1320.6	2773.5	540.8	266.8
Quarter 3	10913.4	1131.4	2415.4	443.2	198.9
Quarter 4	12217.6	1257.6	2605.2	481.4	221.3
2012: Quarter 1	13212.0	1408.5	3091.6	529.3	284.9
Quarter 2	12880.1	1362.2	2935.1	511.6	257.3
Quarter 3	13437.1	1440.7	3116.2	557.6	276.8
Quarter 4	13104.1	1426.2	3019.5	565.8	292.7
2013: Quarter 1	14578.5	1569.2	3267.5	602.3	318.9
Quarter 2	14909.6	1606.3	3404.3	625.3	346.7
Quarter 3	15129.7	1681.6	3771.5	650.8	354.4
Quarter 4	16576.7	1848.4	4176.6	706.5	394.4
2014: Quarter 1	16457.7	1872.3	4199.0	718.9	410.8
Quarter 2	16826.6	1960.2	4408.2	723.9	405.2
Quarter 3	17042.9	1972.3	4493.4	697.7	411.0
Quarter 4	17823.1	2058.9	4736.1	738.7	432.8
2015: Quarter 1	17776.1	2067.9	4900.9	749.3	418.8
Quarter 2	17619.5	2063.1	4986.9	795.7	448.4
Quarter 3	16284.7	1920.0	4620.2	811.7	409.4
Quarter 4	17425.0	2043.9	5007.4	809.1	431.5
2016: Quarter 1	17685.1	2059.7	4869.9	788.1	381.4
Quarter 2	17930.0	2098.9	4842.7	780.9	385.6
Quarter 3	18308.2	2168.3	5312.0	827.2	413.7
Quarter 4	19762.6	2238.8	5383.1	966.7	532.7
As of Feb. 24, 2017	20821.8	2164.5	2367.3	954.4	555.4

(1) End of period data.

Sources: SNL Financial and The Wall Street Journal.

EXHIBIT IV-3

Stock Indices as of February 24, 2017

Index Values

Industry: Banking
Geography: United States and Canada

	Index Value	Last Update	Day's Change	Day's Change (%)	Market Breadth		
					↑	↓	-
SNL Custom** Indexes							
SNL Banking Indexes							
SNL U.S. Bank and Thrift	531.78*	2/24/2017	(5.41)*	(1.01)*	85*	285*	39*
SNL U.S. Bank	555.35*	2/24/2017	(5.73)*	(1.02)*	61*	241*	23*
SNL U.S. Thrift	954.41*	2/24/2017	(4.90)*	(0.51)*	24*	44*	16*
SNL TARP Participants	90.20*	2/24/2017	(1.27)*	(1.39)*	3*	2*	5*
KBW Nasdaq Bank	95.85*	2/24/2017	(0.92)*	(0.95)*	NA*	NA*	NA*
KBW Nasdaq Regional Bank	113.03*	2/24/2017	(0.93)*	(0.82)*	NA*	NA*	NA*
S&P 500 Bank	299.28*	2/24/2017	(3.39)*	(1.12)*	NA*	NA*	NA*
NASDAQ Bank	3,913.53*	2/24/2017	(25.01)*	(0.64)*	NA*	NA*	NA*
S&P 500 Commercial Banks	427.57*	2/24/2017	(4.85)*	(1.12)*	NA*	NA*	NA*
S&P 500 Diversified Banks	506.58*	2/24/2017	(6.04)*	(1.18)*	NA*	NA*	NA*
S&P 500 Regional Banks	109.00*	2/24/2017	(0.98)*	(0.89)*	NA*	NA*	NA*
S&P 500 Thrifts & Mortgage Finance	4.56*	11/2/2015	(0.01)*	(0.31)*	NA*	NA*	NA*
SNL Asset Size Indexes							
SNL U.S. Bank <\$250M	31.48*	2/24/2017	0.94*	3.09*	1*	0*	0*
SNL U.S. Bank \$250M-\$500M	427.49*	2/24/2017	(5.77)*	(1.33)*	5*	2*	1*
SNL U.S. Thrift <\$250M	1,244.68*	2/24/2017	(0.31)*	(0.02)*	2*	1*	1*
SNL U.S. Thrift \$250M-\$500M	6,063.81*	2/24/2017	(5.46)*	(0.09)*	6*	6*	6*
SNL U.S. Bank <\$500M	814.54*	2/24/2017	(10.62)*	(1.29)*	6*	2*	1*
SNL U.S. Thrift <\$500M	2,068.53*	2/24/2017	(1.72)*	(0.08)*	8*	7*	7*
SNL U.S. Bank \$500M-\$1B	968.04*	2/24/2017	(2.64)*	(0.27)*	13*	21*	10*
SNL U.S. Thrift \$500M-\$1B	2,906.93*	2/24/2017	(21.64)*	(0.74)*	4*	11*	8*
SNL U.S. Bank \$1B-\$5B	1,168.65*	2/24/2017	(6.81)*	(0.58)*	35*	108*	10*
SNL U.S. Thrift \$1B-\$5B	3,585.17*	2/24/2017	(24.03)*	(0.67)*	8*	15*	1*
SNL U.S. Bank \$5B-\$10B	1,396.21*	2/24/2017	(10.55)*	(0.75)*	7*	41*	1*
SNL U.S. Thrift \$5B-\$10B	1,077.85*	2/24/2017	(2.80)*	(0.26)*	3*	6*	0*
SNL U.S. Bank >\$10B	480.64*	2/24/2017	(5.11)*	(1.05)*	0*	69*	1*
SNL U.S. Thrift >\$10B	168.71*	2/24/2017	(0.97)*	(0.57)*	1*	5*	0*
SNL Market Cap Indexes							
SNL Micro Cap U.S. Bank	613.67*	2/24/2017	(0.05)*	(0.01)*	103*	93*	365*
SNL Micro Cap U.S. Thrift	1,042.33*	2/24/2017	(0.48)*	(0.05)*	29*	23*	72*
SNL Micro Cap U.S. Bank & Thrift	712.62*	2/24/2017	(0.10)*	(0.01)*	132*	116*	437*
SNL Small Cap U.S. Bank	669.12*	2/24/2017	(3.51)*	(0.52)*	23*	82*	18*
SNL Small Cap U.S. Thrift	797.59*	2/24/2017	(2.99)*	(0.37)*	7*	13*	1*
SNL Small Cap U.S. Bank & Thrift	694.77*	2/24/2017	(3.48)*	(0.50)*	30*	95*	19*
SNL Mid Cap U.S. Bank	440.56*	2/24/2017	(3.49)*	(0.79)*	6*	81*	1*
SNL Mid Cap U.S. Thrift	372.17*	2/24/2017	(2.04)*	(0.55)*	3*	10*	0*
SNL Mid Cap U.S. Bank & Thrift	437.59*	2/24/2017	(3.34)*	(0.76)*	9*	91*	1*
SNL Large Cap U.S. Bank	342.25*	2/24/2017	(3.70)*	(1.07)*	0*	33*	1*
SNL Large Cap U.S. Thrift	158.11*	2/24/2017	(0.72)*	(0.45)*	0*	1*	0*
SNL Large Cap U.S. Bank & Thrift	344.40*	2/24/2017	(3.71)*	(1.07)*	0*	34*	1*

Index Values

SNL Geographic Indexes

SNL Mid-Atlantic U.S. Bank	502.55*	2/24/2017	(5.33)*	(1.05)*	14*	49*	5*
SNL Mid-Atlantic U.S. Thrift	3,623.49*	2/24/2017	(22.33)*	(0.61)*	8*	17*	5*
SNL Midwest U.S. Bank	661.44*	2/24/2017	(4.57)*	(0.69)*	11*	53*	10*
SNL Midwest U.S. Thrift	3,197.90*	2/24/2017	(18.75)*	(0.58)*	3*	10*	8*
SNL New England U.S. Bank	590.78*	2/24/2017	(6.10)*	(1.02)*	8*	12*	0*
SNL New England U.S. Thrift	3,082.44*	2/24/2017	(11.25)*	(0.36)*	5*	10*	1*
SNL Southeast U.S. Bank	346.77*	2/24/2017	(4.04)*	(1.15)*	15*	68*	3*
SNL Southeast U.S. Thrift	415.27*	2/24/2017	(0.62)*	(0.15)*	2*	2*	2*
SNL Southwest U.S. Bank	1,155.70*	2/24/2017	(9.13)*	(0.78)*	2*	25*	1*
SNL Southwest U.S. Thrift	813.48*	2/24/2017	(1.31)*	(0.16)*	1*	1*	0*
SNL Western U.S. Bank	1,494.65*	2/24/2017	(16.04)*	(1.06)*	11*	34*	4*
SNL Western U.S. Thrift	151.85*	2/24/2017	0.05*	0.03*	5*	4*	0*

SNL Stock Exchange Indexes

SNL U.S. Bank NYSE	474.32*	2/24/2017	(5.27)*	(1.10)*	0*	47*	1*
SNL U.S. Thrift NYSE	147.62*	2/24/2017	(0.62)*	(0.42)*	1*	4*	0*
SNL U.S. Bank NYSE MKT	896.69*	2/24/2017	(8.07)*	(0.89)*	1*	4*	1*
SNL U.S. Bank NASDAQ	939.15*	2/24/2017	(6.23)*	(0.66)*	60*	190*	21*
SNL U.S. Thrift NASDAQ	2,841.10*	2/24/2017	(15.73)*	(0.55)*	23*	40*	16*
SNL U.S. Bank Pink	380.13*	2/24/2017	0.08*	0.02*	71*	48*	369*
SNL U.S. Thrift Pink	303.71*	2/24/2017	3.42*	1.14*	15*	3*	57*
SNL Bank TSX	1,155.04*	2/24/2017	(17.24)*	(1.47)*	1*	9*	1*

SNL Other Indexes

SNL U.S. Thrift MHCs	5,990.56*	2/24/2017	(25.03)*	(0.42)*	0*	4*	4*
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SNL Pink Asset Size Indexes

SNL U.S. Bank Pink < \$100M	204.06*	2/24/2017	0.58*	0.28*	1*	1*	23*
SNL U.S. Bank Pink \$100M-\$500M	410.49*	2/24/2017	0.73*	0.18*	38*	19*	230*
SNL U.S. Bank Pink > \$500M	334.10*	2/24/2017	(0.10)*	(0.03)*	32*	28*	116*

Broad Market Indexes

DJIA	20,821.76*	2/24/2017	11.44*	0.05*			
S&P 500	2,367.34*	2/24/2017	3.54*	0.15*			
S&P Mid-Cap	1,736.68*	2/24/2017	2.26*	0.13*			
S&P Small-Cap	853.19*	2/24/2017	0.06*	0.01*			
S&P 500 Financials	405.25*	2/24/2017	(3.08)*	(0.75)*			
SNL U.S. Financial Institutions	883.42*	2/24/2017	(6.04)*	(0.68)*			
MSCI US IMI Financials	1,511.78*	2/24/2017	(11.01)*	(0.72)*			
NASDAQ	5,845.31*	2/24/2017	9.80*	0.17*			
NASDAQ Finl	4,145.16*	2/24/2017	(4.36)*	(0.11)*			
NYSE	11,541.29*	2/24/2017	(14.86)*	(0.13)*			
Russell 1000	1,313.54*	2/24/2017	1.98*	0.15*			
Russell 2000	1,394.53*	2/24/2017	(0.10)*	(0.01)*			
Russell 3000	1,405.60*	2/24/2017	1.95*	0.14*			
S&P TSX Composite	15,533.47*	2/24/2017	(247.73)*	(1.57)*			
MSCI AC World (USD)	445.32*	2/24/2017	(1.42)*	(0.32)*			
MSCI World (USD)	1,840.80*	2/24/2017	(4.56)*	(0.25)*			
Bermuda Royal Gazette/BSX	1,958.57*	2/24/2017	2.48*	0.13*			

Intraday data is available for certain exchanges. In all cases, the data is at least 15 minutes delayed.

* - Intraday data is not currently available. Data is as of the previous close.

Index Values

** - Non-publicly traded institutions and institutions outside of your current subscription are not included in custom indexes. Custom indexes including foreign institutions do not take into account currency translations. Data is as of the previous close.

All SNL indexes are market-value weighted; i.e., an institution's effect on an index is proportional to that institution's market capitalization.

Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products.

Mid-Atlantic: DE, DC, MD, NJ, NY, PA, PR

Midwest: IA, IN, IL, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI

New England: CT, ME, MA, NH, RI, VT

Southeast: AL, AR, FL, GA, MS, NC, SC, TN, VA, WV

Southwest: CO, LA, NM, OK, TX, UT

West: AZ, AK, CA, HI, ID, MT, NV, OR, WA, WY

EXHIBIT IV-4

New York Thrift Acquisitions 2013 - Present

Exhibit IV-4
New York Thrift Acquisitions 2013-Present

Announce Date	Complete Date	Buyer Short Name	Target Name	Target Financials at Announcement								Deal Terms and Pricing at Announcement						
				Total Assets (\$000)	E/A (%)	TE/A (%)	LTM ROAA (%)	LTM ROAE (%)	NPAs/Assets (%)	Rsrvs/NPLs (%)	Deal Value (\$M)	Value/Share (\$)	P/B (%)	P/TB (%)	P/E (x)	P/A (%)	Prem/Cdeps (%)	
12/16/2016	Def. Agrmt.	Wallkill Valley FS&LA	NY Hometown Bancorp, Inc. (MHC)	NY	122,950	6.73	6.44	-0.03	-0.38	NA	NA	7.0	3.010	84.60	88.68	NM	5.70	-1.00
02/24/2015	12/04/2015	Community Bank System Inc.	NY Oneida Financial Corp.	NY	798,169	12.01	9.01	0.66	5.44	0.17	326.98	142.1	19.986	146.60	202.07	27.38	17.80	11.58
09/25/2014	04/28/2015	Putnam County SB	NY CMS Bancorp, Inc.	NY	273,045	8.72	8.72	0.25	2.91	NA	NA	25.4	13.250	110.58	110.58	40.15	9.29	1.72
01/30/2014	06/30/2014	Kearny Financial Corp. (MHC)	NJ Atlas Bank	NY	110,480	13.68	13.68	-0.93	-6.18	0.60	109.79	NA	NA	NA	NA	NA	NA	NA
Average:					326,161	10.29	9.46	-0.01	0.45	0.38	218.39			113.93	133.78	33.77	10.93	4.10
Median:					197,998	10.37	8.87	0.11	1.26	0.38	218.39			110.58	110.58	33.77	9.29	1.72

EXHIBIT IV-5

**Ponce Bank
Director and Senior Management Summary Resumes**

Exhibit IV-5
Ponce Bank
Director and Senior Management Summary Resumes

The business experience for the past five years of each of our directors is set forth below. The biographies also contain information regarding the person's experience, qualifications, attributes or skills that caused the board of directors to determine that the person should serve as a director. Unless otherwise indicated, directors have held their positions for the past five years.

James C. Demetriou is the President and Chief Executive Officer of First Management Corp., a property management company located in Astoria, New York, established in 1985 and which has a portfolio of over one hundred and thirty residential, cooperative, condominium and commercial buildings. Mr. Demetriou is also a partner in the accounting firm, J. Demetriou & Co., established in 1970. In addition, Mr. Demetriou has been a New York licensed real estate broker and sponsoring broker of Archway Realty, Inc., in Astoria, New York since 1985. Furthermore, Mr. Demetriou is the President and Founder of Foxx Capital Funding, Inc. a New York licensed mortgage broker established in 1999.

William Feldman has been investing in and managing commercial and residential real estate properties in the New York metropolitan area for over 30 years. As the present time, Mr. Feldman is managing 13 properties, with ownership interests varying between 12.5% to 50.0%, held by The Feldman Living Trust. Mr. Feldman is also President of the Southern Boulevard Business Improvement District, a not-for-profit entity whose mission is to increase the economic growth and stability of the Southern Boulevard shopping area. Prior to 2013, Mr. Feldman owned several men's clothing stores.

Julio Gurman is an investor in and manager of commercial and residential real estate properties in the New York metropolitan area. Mr. Gurman is a co-investor/manager of the same 13 properties as Mr. Feldman.

Nick R. Lugo is an investor in real estate properties located in the New York area and holds these investments in several limited liability companies. Mr. Lugo is also President of Nick Lugo Travel Corp., which he founded in 1980. In addition, Mr. Lugo is also the owner and publisher of LaVoz Hispana, a weekly newspaper. Mr. Lugo also founded in 2006 the New York City Hispanic Chamber of Commerce and serves as its Chairman and President. Mr. Lugo is a Director of the Southern Boulevard Business Improvement District.

Carlos P. Naudon has served as President and Chief Operating Officer of Ponce De Leon Federal Bank since 2015, having joined the Board of Directors in 2014. No later than one year after completion of the reorganization, or January 1, 2019, if earlier, Mr. Naudon will become President and Chief Executive Officer of Ponce Bank. Upon completion of the reorganization, Mr. Naudon will become President and Chief Executive Officer of PDL Community Bancorp and President and Chief Operating Officer of Ponce Bank Mutual Holding Company. Prior to becoming President of Ponce De Leon Federal Bank, Mr. Naudon served as a consultant and compliance counsel to Ponce De Leon Federal Bank. Mr. Naudon owns Banking Spectrum, Inc., now a banking publishing company, formerly a bank consulting company. Until 2015, Mr. Naudon was a partner in the law firm of Allister & Naudon. Both of the foregoing firms were established in 1984 to provide services to banking institutions. Mr. Naudon became Of Counsel to the law firm Cullen & Dykman in 2015. Mr. Naudon has also previously served in many senior management positions at other companies. Before retiring from his consulting and law firms in 2015, Mr. Naudon was a frequent lecturer and speaker on banking issues, corporate governance, quality assurance and performance incentives. Mr. Naudon has current and previous service in various healthcare and community organizations. Mr. Naudon is a member of the New York State Bar Association, the New York City Hispanic Chamber of Commerce and other professional associations.

Manuel A. Romero is President of Manuel A. Romero, P.C., a professional corporation specializing in personal injury law matters. Mr. Romero is the head trial lawyer at the law firm and has served in that capacity for over 28 years. Mr. Romero serves as a member of the Finance Committee of the New York State Bar Association and teaches trial techniques at Cornell Law School on behalf of the Trial Academy of the New York State Bar Association.

Steven Tsavaris is currently the Chairman of the Board and Chief Executive Officer of Ponce De Leon Federal Bank. No later than one year after completion of the reorganization, or January 1, 2019, if earlier, Mr. Tsavaris will become Executive Chairman, a salaried officer, of Ponce Bank. Upon completion of the reorganization, Mr. Tsavaris will become Chairman of the Board and Chief Executive Officer of Ponce Bank Mutual Holding Company and Executive Chairman, a salaried officer, of PDL Community Bancorp. Mr. Tsavaris joined Ponce De Leon Federal Bank as an Executive Vice President in 1995, became President in 1999, and was made Chief Executive Officer in 2011. In 2013, Mr. Tsavaris became Chairman of the Board.

Exhibit IV-5 (continued)
Ponce Bank
Director and Senior Management Summary Resumes

Executive Officer of Ponce De Leon Federal Bank, Ponce Bank, Ponce Bank Mutual Holding Company and PDL Community Bancorp who is Not a Director

Frank Perez, age 49, was appointed Executive Vice President and Chief Financial Officer of Ponce De Leon Federal Bank in January 2017. Upon completion of the reorganization, Mr. Perez will become Executive Vice President and Chief Financial Officer of Ponce Bank, Ponce Bank Mutual Holding Company and PDL Community Bancorp. Mr. Perez is a certified public accountant and has over 20 years of experience in the banking industry. Until recently, Mr. Perez was the sole employee of Tennessee Commerce Bancorp, Inc., Franklin, Tennessee, a former bank holding company in the process of winding down its residual operations. Prior to joining Ponce De Leon Federal Bank, Mr. Perez was, from January 2015 until July 2016, Executive Vice President and Chief Financial Officer of First Volunteer Bank, Chattanooga, Tennessee, a privately held bank. From May 2012 until January 2015, Mr. Perez was the Executive Vice President and Chief Financial Officer of First Financial Service Corporation, the bank holding company for First Federal Savings Bank of Elizabethtown, Elizabethtown, Kentucky. From August 2008 to February 2012 Mr. Perez was the Chief Financial Officer and Investment Relations Officer of Tennessee Commerce Bancorp, Inc. and its subsidiary, Tennessee Commerce Bank. On January 27, 2012, Tennessee Commerce Bank was closed by the Tennessee Department of Financial Institutions, which appointed the FDIC as receiver. Subsequent to this receivership, Mr. Perez assumed his positions at First Financial Service Corporation and First Federal Savings Bank of Elizabethtown. As a consequence of First Federal Savings Bank of Elizabethtown being designated at that time as a troubled bank by the FDIC, First Federal Savings Bank of Elizabethtown had to file a notice of change of a senior executive officer as required by federal law and regulation. Upon completion of its review, the FDIC issued a notice that it did not object to Mr. Perez's appointment as Chief Financial Officer of First Federal Savings Bank of Elizabethtown.

Executive Officers of Ponce De Leon Federal Bank and Ponce Bank who are Not Directors

The following sets forth information regarding our executive officers who are not directors. Age information is as of December 31, 2016. The executive officers of PDL Community Bancorp and Ponce Bank are elected annually.

Ioannis Kouzilos, age 38, is currently our Senior Vice President, Chief Lending Officer, a position he assumed in March, 2017. Prior to assuming his current position, Mr. Kouzilos was our Senior Vice President, Asset Management. Mr. Kouzilos has been employed by Ponce De Leon Federal Bank since July 2013 and has managed a number of departments, primarily focusing on asset quality, credit risk, asset recovery and lending operations. From April 2011 to June 2013, Mr. Kouzilos was Vice President, Credit Administrator for Alma Bank, New York, New York.

Elizabeth Macias, age 60, is currently our Senior Vice President and Chief Information Systems Officer. In this position, Ms. Macias manages our Information Technology, Vendor Management, Loan Servicing Systems and Facilities Management. Ms. Macias joined Ponce De Leon Federal Bank in August 2015. Prior to this time, Ms. Macias served as Vice President of Information Technology at Interwest National Bank for ten years and has held senior management positions in information technology, management information systems and information security for over 30 years.

Madeline V. Marquez, age 59, is currently our Senior Vice President of SBA/CDFI Initiatives and assumed this position on February 1, 2017. Prior to that time, Ms. Marquez served as Executive Vice President of the Business Initiative Corporation of New York ("BICNY") which is a Certified SBA 504 Lender in New York State. Ms. Marquez held various positions of increasing responsibility with BICNY starting in 1998. In October 2012, Ms. Marquez became Chief Operating Officer of BICNY and Executive Vice President in January 2016.

David Rodriguez, age 61, has been employed by Ponce De Leon Federal Bank since April 2005. Mr. Rodriguez is currently Senior Vice President, Chief Relationship Manager and was, until March 2017, Senior Vice President and Chief Lending Officer and had held this position since 2007.

Rafael Sanchez, age 43, was appointed our Senior Vice President of Retail and Commercial Banking in November 2016. Mr. Sanchez is responsible for the oversight of the Sales and Marketing Department, Branch Operations Control Department, Regional Commercial Relationship Officers and Retail Banking. Prior to joining Ponce De Leon Federal Bank, Mr. Sanchez has held various positions in retail banking, most recently as Senior Vice President and Regional Manager at Popular Community Bank, Bronx, New York from February 2012 until joining Ponce De Leon Federal Bank.

Source: Ponce Bank's prospectus.

EXHIBIT IV-6

**Ponce Bank
Pro Forma Regulatory Capital Ratios**

Exhibit IV-6
Ponce Bank
Pro Forma Regulatory Capital Ratios

Pro Forma at December 31, 2016, Based Upon the Sale in the Offering of (1)

	Ponce De Leon Federal Bank Historical at December 31, 2016		5,339,969 Shares		6,282,316 Shares		7,224,663 Shares		8,308,362 Shares(2)	
	Amount	Percent of Assets(3)	Amount	Percent of Assets(3)	Amount	Percent of Assets(3)	Amount	Percent of Assets(3)	Amount	Percent of Assets(3)
		Assets(3)		Assets(3)		Assets(3)		Assets(3)		Assets(3)
	(Dollars in thousands)									
Equity	\$ 92,992	12.48%	\$ 111,497	14.48%	\$ 114,934	14.83%	\$ 118,372	15.18%	\$ 122,324	15.58%
Tier 1 leverage capital	\$ 99,240	13.32%	\$ 117,545	15.26%	\$ 120,982	15.61%	\$ 124,420	15.96%	\$ 128,372	16.35%
Tier 1 leverage capital requirement	37,256	5.00%	38,520	5.00%	38,753	5.00%	38,987	5.00%	39,255	5.00%
Excess	\$ 61,984	8.32%	\$ 79,025	10.26%	\$ 82,229	10.61%	\$ 85,433	10.96%	\$ 89,117	11.35%
Tier 1 risk-based capital(4)	\$ 99,240	17.96%	\$ 117,545	21.07%	\$ 120,982	21.65%	\$ 124,420	22.23%	\$ 128,372	22.89%
Tier 1 risk-based requirement	\$ 44,217	8.00%	\$ 44,621	8.00%	\$ 44,696	8.00%	\$ 44,771	8.00%	\$ 44,857	8.00%
Excess	\$ 55,023	9.96%	\$ 72,924	13.07%	\$ 76,286	13.65%	\$ 79,649	14.23%	\$ 83,515	14.89%
Total risk-based capital(4)	\$ 106,190	19.21%	\$ 124,495	22.32%	\$ 127,932	22.90%	\$ 131,370	23.47%	\$ 135,322	24.13%
Total risk-based requirement	\$ 55,271	10.00%	\$ 55,777	10.00%	\$ 55,870	10.00%	\$ 55,964	10.00%	\$ 56,071	10.00%
Excess	\$ 50,918	9.21%	\$ 68,718	12.32%	\$ 72,062	12.90%	\$ 75,406	13.47%	\$ 79,251	14.13%
Common equity tier 1 risk-based capital(4)	\$ 99,240	17.96%	\$ 117,545	21.07%	\$ 120,982	21.65%	\$ 124,420	22.23%	\$ 128,372	22.89%
Common equity tier 1 risk-based requirement	\$ 35,926	6.50%	\$ 36,255	6.50%	\$ 36,316	6.50%	\$ 36,376	6.50%	\$ 36,446	6.50%
Excess	\$ 63,314	11.46%	\$ 81,290	14.57%	\$ 84,666	15.15%	\$ 88,044	15.73%	\$ 91,926	16.39%
Reconciliation of capital infused into Ponce Bank:										
Net offering proceeds to Ponce Bank			\$ 25,483		\$ 30,151		\$ 34,820		\$ 40,189	
Less: Common stock acquired by employee stock ownership plan			(4,652)		(5,473)		(6,293)		(7,238)	
Less: Common stock acquired by stock-based benefit plans			(2,326)		(2,736)		(3,147)		(3,619)	
Less: Assets retained by Ponce Bank Mutual Holding Company adjustment			(200)		(200)		(200)		(200)	
Pro forma increase			\$ 18,305		\$ 21,742		\$ 25,180		\$ 29,132	

- (1) Pro forma capital levels assume that the employee stock ownership plan purchases 3.92% of our total outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) with funds we lend and that one or more stock-based benefit plans purchases 1.96% of our total outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) for restricted stock awards. Pro forma capital calculated under generally accepted accounting principles ("GAAP") and regulatory capital have been reduced by the amount required to fund these plans. See "Management—Employee Stock Ownership Plan".
- (2) As adjusted to give effect to an increase in the number of shares, which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.
- (3) Tier 1 leverage capital levels are shown as a percentage of total adjusted assets. Risk-based capital levels are shown as a percentage of risk-weighted assets.
- (4) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk weighting.

Source: Ponce Bank's prospectus.

EXHIBIT IV-7

**Ponce Bank
Pro Forma Analysis Sheet – Fully Converted Basis**

Exhibit IV-7
PRO FORMA ANALYSIS SHEET - FULLY CONVERTED BASIS
Ponce Bank
Prices as of February 24, 2017

Price Multiple	Symbol	Subject (1)	Peer Group		New York Companies		All Publicly-Traded		
			Average	Median	Average	Median	Average	Median	
Price-earnings ratio (x)	P/E	145.86	x	18.09x	19.03x	20.08x	18.88x	20.02x	19.49x
Price-core earnings ratio (x)	P/Core	145.86	x	20.21x	20.67x	20.92x	20.46x	20.60x	20.15x
Price-book ratio (%)	= P/B	66.71%		120.30%	123.16%	135.75%	125.46%	133.03%	124.89%
Price-tangible book ratio (%)	= P/TB	66.71%		128.46%	123.96%	156.93%	167.62%	146.71%	135.08%
Price-assets ratio (%)	= P/A	16.21%		15.05%	13.49%	11.56%	13.10%	16.27%	16.06%

Valuation Parameters

Pre-Conversion Earnings (Y)	\$ 1,425,000	ESOP Stock Purchases (E)	8.00%	(5)
Pre-Conversion Earnings (CY)	\$ 1,425,000	Cost of ESOP Borrowings (S)	0.00%	(4)
Pre-Conversion Book Value (B)	\$ 92,992,000	ESOP Amortization (T)	15.00	years
Pre-Conv. Tang. Book Val. (TB)	\$ 92,989,000	RRP Amount (M)	4.00%	
Pre-Conversion Assets (A)	\$744,983,000	RRP Vesting (N)	5.00	years (5)
Reinvestment Rate (2)(R)	1.93%	Foundation (F)	3.56%	
Est. Conversion Expenses (3)(X)	2.50%	Tax Benefit (Z)	1,634,390	
Tax Rate (TAX)	34.00%	Percentage Sold (PCT)	100.00%	
Shares Tax	\$ 0	Option (O1)	10.00%	(6)
		Estimated Option Value (O2)	27.40%	(6)
		Option vesting (O3)	5.00	(6)
		Option pct taxable (O4)	25.00%	(6)

Calculation of Pro Forma Value After Conversion

1. V=	$\frac{P/E * (Y)}{1 - P/E * PCT * ((1-X-E-M-F)*R*(1-TAX) - (1-TAX)*E/T - (1-TAX)*M/N) - (1-(TAX*O4))*(O1*O2)/O3}$	V=	\$139,607,030
2. V=	$\frac{P/Core * (Y)}{1 - P/core * PCT * ((1-X-E-M-F)*R*(1-TAX) - (1-TAX)*E/T - (1-TAX)*M/N) - (1-(TAX*O4))*(O1*O2)/O3}$	V=	#REF!
3. V=	$\frac{P/B * (B+Z)}{1 - P/B * PCT * (1-X-E-M-F)}$	V=	#REF!
4. V=	$\frac{P/TB * (TB+Z)}{1 - P/TB * PCT * (1-X-E-M-F)}$	V=	#REF!
5. V=	$\frac{P/A * (A+Z)}{1 - P/A * PCT * (1-X-E-M-F)}$	V=	#REF!

Conclusion	Shares Issued To the Public	Price Per Share	Gross Offering Proceeds	Shares Issued To Foundation	Total Shares Issued	Aggregate Market Value of Shares Issued
Supermaximum	17,853,750	10.00	\$178,537,500	609,279	18,463,029	\$184,630,290
Maximum	15,525,000	10.00	155,250,000	529,808	16,054,808	160,548,080
Midpoint	13,500,000	10.00	135,000,000	460,703	13,960,703	139,607,030
Minimum	11,475,000	10.00	114,750,000	391,598	11,866,598	118,665,980

- (1) Pricing ratios shown reflect the midpoint value.
- (2) Net return reflects a reinvestment rate of 1.93 percent and a tax rate of 34.0 percent.
- (3) Offering expenses shown at estimated midpoint value.
- (4) No cost is applicable since holding company will fund the ESOP loan.
- (5) ESOP and MRP amortize over 15 years and 5 years, respectively; amortization expenses tax effected at 34.0 percent.
- (6) 10 percent option plan with an estimated Black-Scholes valuation of 27.40 percent of the exercise price, including a 5 year vesting with 25 percent of the options (granted to directors) tax effected at 34.0 percent.

EXHIBIT IV-8

**Ponce Bank
Pro Forma Effect of Conversion Proceeds – Fully Converted Basis**

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Minimum

1. Pro Forma Market Capitalization	\$ 118,665,980
Less: Foundation Shares	3,915,980
2. Offering Proceeds	\$ 114,750,000
Less: Estimated Offering Expenses	2,868,750
Net Conversion Proceeds	\$ 111,881,250
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 111,881,250
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	14,239,918
Net Proceeds Reinvested	\$ 97,441,332
Estimated net incremental rate of return	1.27%
Reinvestment Income	\$ 1,241,208
Less: Shares Tax	0
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	417,704
Less: Amortization of Options (4)	595,015
Less: Recognition Plan Vesting (5)	626,556
Net Earnings Impact	(\$ 398,068)

	Before Conversion	Net Earnings Increase	After Conversion
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$ 1,425,000	(\$ 398,068)	\$ 1,026,932
12 Months ended December 31, 2016 (core)	\$ 1,425,000	(\$ 398,068)	\$ 1,026,932

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
5. Pro Forma Net Worth				
December 31, 2016	\$ 92,992,000	\$97,441,332	\$ 1,399,433	\$ 191,832,766
December 31, 2016 (Tangible)	\$ 92,989,000	\$97,441,332	\$ 1,399,433	\$ 191,829,766

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
6. Pro Forma Assets				
December 31, 2016	\$744,983,000	\$97,441,332	\$ 1,399,433	\$ 843,823,766

- (1) Includes ESOP and RRP stock purchases equal to 8.0 and 4.0 percent of total shares issued, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assumes 25 percent is taxable.
- (5) RRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Midpoint

1. Pro Forma Market Capitalization	\$ 139,607,030
Less: Foundation Shares	<u>4,607,030</u>
2. Offering Proceeds	\$ 135,000,000
Less: Estimated Offering Expenses	<u>3,375,000</u>
Net Conversion Proceeds	\$ 131,625,000
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 131,625,000
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>16,752,844</u>
Net Proceeds Reinvested	\$ 114,672,156
Estimated net incremental rate of return	<u>1.27%</u>
Reinvestment Income	\$ 1,460,694
Less: Shares Tax	0
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	491,417
Less: Amortization of Options (4)	700,018
Less: Recognition Plan Vesting (5)	<u>737,125</u>
Net Earnings Impact	(\$ 467,866)

	Before Conversion	Net Earnings Increase	After Conversion
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$ 1,425,000	(\$ 467,866)	\$ 957,134
12 Months ended December 31, 2016 (core)	\$ 1,425,000	(\$ 467,866)	\$ 957,134

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
5. Pro Forma Net Worth				
December 31, 2016	\$ 92,992,000	\$ 114,672,156	\$ 1,634,390	\$ 209,298,547
December 31, 2016 (Tangible)	\$ 92,989,000	\$ 114,672,156	\$ 1,634,390	\$ 209,295,547

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
6. Pro Forma Assets				
December 31, 2016	\$744,983,000	\$ 114,672,156	\$ 1,634,390	\$ 861,289,547

- (1) Includes ESOP and RRP stock purchases equal to 8.0 and 4.0 percent of total shares issued, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assumes 25 percent is taxable.
- (5) RRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Maximum Value

1. Pro Forma Market Capitalization	\$ 160,548,080
Less: Foundation Shares	5,298,080
2. Offering Proceeds	\$ 155,250,000
Less: Estimated Offering Expenses	3,881,250
Net Conversion Proceeds	\$ 151,368,750
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 151,368,750
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	19,265,770
Net Proceeds Reinvested	\$ 131,902,980
Estimated net incremental rate of return	1.27%
Reinvestment Income	\$ 1,680,180
Less: Shares Tax	0
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	565,129
Less: Amortization of Options (4)	805,020
Less: Recognition Plan Vesting (5)	847,694
Net Earnings Impact	(\$ 537,663)

	Before Conversion	Net Earnings Increase	After Conversion
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$ 1,425,000	(\$ 537,663)	\$ 887,337
12 Months ended December 31, 2016 (core)	\$ 1,425,000	(\$ 537,663)	\$ 887,337

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
5. Pro Forma Net Worth				
December 31, 2016	\$ 92,992,000	\$131,902,980	\$ 1,869,347	\$ 226,764,328
December 31, 2016 (Tangible)	\$ 92,989,000	\$131,902,980	\$ 1,869,347	\$ 226,761,328

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
6. Pro Forma Assets				
December 31, 2016	\$744,983,000	\$131,902,980	\$ 1,869,347	\$ 878,755,328

- (1) Includes ESOP and RRP stock purchases equal to 8.0 and 4.0 percent of total shares issued, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assumes 25 percent is taxable.
- (5) RRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

Exhibit IV-8
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Super Maximum Value

1. Pro Forma Market Capitalization	\$ 184,630,290
Less: Foundation Shares	6,092,790
2. Offering Proceeds	\$ 178,537,500
Less: Estimated Offering Expenses	4,463,438
Net Conversion Proceeds	\$ 174,074,063
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 174,074,063
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	22,155,635
Net Proceeds Reinvested	\$ 151,718,428
Estimated net incremental rate of return	1.27%
Reinvestment Income	\$ 1,932,589
Less: Shares Tax	0
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	649,899
Less: Amortization of Options (4)	925,773
Less: Recognition Plan Vesting (5)	974,848
Net Earnings Impact	(\$ 617,930)

	Before Conversion	Net Earnings Increase	After Conversion
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$ 1,425,000	(\$ 617,930)	\$ 807,070
12 Months ended December 31, 2016 (core)	\$ 1,425,000	(\$ 617,930)	\$ 807,070

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
5. Pro Forma Net Worth				
December 31, 2016	\$ 92,992,000	\$151,718,428	\$ 2,139,549	\$ 246,849,976
December 31, 2016 (Tangible)	\$ 92,989,000	\$151,718,428	\$ 2,139,549	\$ 246,846,976

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
6. Pro Forma Assets				
December 31, 2016	\$744,983,000	\$151,718,428	\$ 2,139,549	\$ 898,840,976

- (1) Includes ESOP and RRP stock purchases equal to 8.0 and 4.0 percent of total shares issued, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assumes 25 percent is taxable.
- (5) RRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

EXHIBIT IV-9

**Ponce Bank
Pro Forma Analysis Sheet – Minority Stock Offering**

EXHIBIT IV-9
PRO FORMA ANALYSIS SHEET - MINORITY STOCK OFFERING
Ponce Bank
February 24, 2017

Price Multiple	Symbol	Subject (1)	Peer Group		New York Companies		All Publicly-Traded	
			Average	Median	Average	Median	Average	Median
Price-earnings ratio (x)	P/E	123.76x	18.09x	19.03x	20.06x	18.88x	20.02x	19.49x
Price-core earnings ratio (x)	P/Core	123.76x	20.21x	20.67x	20.92x	20.46x	20.60x	20.15x
Price-book ratio (%)	= P/B	95.42%	120.30%	123.16%	135.75%	125.46%	133.03%	124.89%
Price-tangible book ratio (%)	= P/TB	95.42%	128.46%	123.96%	156.93%	167.62%	146.71%	135.08%
Price-assets ratio (%)	= P/A	17.49%	15.05%	13.49%	11.56%	13.10%	16.27%	16.06%

Valuation Parameters

Pre-Conversion Earnings (Y)(2)	\$ 1,422,000	ESOP Stock Purchases (E)	8.12%	(6)
Pre-Conversion Earnings (CY)(2)	\$ 1,422,000	Cost of ESOP Borrowings (S)	0.00%	(5)
Pre-Conversion Book Value (B)(2)	\$ 92,792,000	ESOP Amortization (T)	15.00	years
Pre-Conv. Tang. Book Value (TB)(2)	\$ 92,789,000	MRP Amount (M)	4.06%	
Pre-Conversion Assets (A)(2)	\$744,783,000	MRP Vesting (N)	5.00	years (6)
Reinvestment Rate (3)(R)	1.93%	Foundation (F)	7.33%	
Est. Conversion Expenses (4)(X)	4.01%	Tax Benefit (Z)	1,634,390	
Tax Rate (TAX)	34.00%	Percentage Sold (PCT)	48.30%	
		Option (O1)	10.14%	(7)
		Estimated Option Value (O2)	28.20%	(7)
		Option vesting (O3)	5.00	(7)
		Option pct taxable (O4)	25.00%	(7)

Calculation of Pro Forma Value After Conversion

1. $V = \frac{P/E * (Y)}{1 - P/E * PCT * ((1-X-E-M-F)*R*(1-TAX) - (1-TAX)*E/T - (1-TAX)*M/N) - (1-(TAX*O4))*(O1*O2)/O3}$	V= \$139,607,030
2. $V = \frac{P/Core * (Y)}{1 - P/core * PCT * ((1-X-E-M-F)*R*(1-TAX) - (1-TAX)*E/T - (1-TAX)*M/N) - (1-(TAX*O4))*(O1*O2)/O3}$	V= \$139,607,030
3. $V = \frac{P/B * (B+Z)}{1 - P/B * PCT * (1-X-E-M-F)}$	V= \$139,607,030
4. $V = \frac{P/TB * (TB+Z)}{1 - P/TB * PCT * (1-X-E-M-F)}$	V= \$139,607,030
5. $V = \frac{P/A * (A+Z)}{1 - P/A * PCT * (1-X-E-M-F)}$	V= \$139,607,030

Conclusion	Shares	Shares	Price	Gross Offering Proceeds	Shares Issued to Foundation	Total Shares Issued Publicly	Aggregate Market Value of Shares Issued Publicly	Full Value Total Shares
	Owned by The MHC	Issued To the Public	Per Share					
Super Maximum	9,545,388	8,308,362	10.00	\$83,083,620	609,279	8,917,641	\$89,176,410	18,463,029
Maximum	8,300,337	7,224,663	10.00	\$72,246,630	529,808	7,754,471	77,544,710	16,054,808
Midpoint	7,217,684	6,282,316	10.00	\$62,823,160	460,703	6,743,019	67,430,190	13,960,703
Minimum	6,135,031	5,339,969	10.00	\$53,399,690	391,598	5,731,567	57,315,670	11,866,598

- (1) Pricing ratios shown reflect the midpoint value.
- (2) Adjusted for capitalizing MHC with \$200,000.
- (3) Net return reflects a reinvestment rate of 1.93 percent, and a tax rate of 34.0 percent.
- (4) Offering expenses shown at estimated midpoint value.
- (5) No cost is applicable since holding company will fund the ESOP loan.
- (6) ESOP and MRP amortize over 15 years and 5 years, respectively; amortization expenses tax effected at 34.0 percent.
- (7) 10 percent option plan with an estimated Black-Scholes valuation of 28.20 percent of the exercise price, including a 5 year vesting with 25 percent of the options (granted to directors) tax effected at 34.0 percent.

EXHIBIT IV-10

**Ponce Bank
Pro Forma Effect of Conversion Proceeds – Minority Stock Offering**

Exhibit IV-10
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Minimum

1. Pro Forma Market Capitalization	\$ 57,315,670
Less: Foundation Shares	<u>3,915,980</u>
2. Offering Proceeds	\$ 53,399,690
Less: Estimated Offering Expenses	<u>2,434,660</u>
Net Conversion Proceeds	\$ 50,965,030
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 50,965,030
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>6,977,566</u>
Net Proceeds Reinvested	\$ 43,787,464
Estimated net incremental rate of return	<u>1.27%</u>
Reinvestment Income	\$ 557,765
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	204,675
Less: Amortization of Options (4)	300,070
Less: Recognition Plan Vesting (5)	<u>307,013</u>
Net Earnings Impact	(\$ 253,993)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$1,422,000	(\$253,993)	\$1,168,007
12 Months ended December 31, 2016 (core)	\$1,422,000	(\$253,993)	\$1,168,007

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
December 31, 2016	\$ 92,792,000	\$43,787,464	\$ 1,399,433	\$137,978,897
December 31, 2016 (Tangible)	\$ 92,789,000	\$43,787,464	\$ 1,399,433	\$137,975,897

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
December 31, 2016	\$744,783,000	\$43,787,464	\$ 1,399,433	\$789,969,897

- (1) Includes ESOP and MRP stock purchases equal to 8.12 percent and 4.06 percent of the public shares, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25 percent taxable.
- (5) MRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

Exhibit IV-10
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Midpoint

1. Pro Forma Market Capitalization	\$ 67,430,190
Less: Foundation Shares	<u>4,607,030</u>
2. Offering Proceeds	\$ 62,823,160
Less: Estimated Offering Expenses	<u>2,520,686</u>
Net Conversion Proceeds	\$ 60,302,474
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 60,302,474
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>8,208,900</u>
Net Proceeds Reinvested	\$ 51,893,574
Estimated net incremental rate of return	<u>1.27%</u>
Reinvestment Income	\$ 661,020
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	240,794
Less: Amortization of Options (4)	353,023
Less: Recognition Plan Vesting (5)	<u>361,192</u>
Net Earnings Impact	(\$ 293,989)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$1,422,000	(\$293,989)	\$1,128,011
12 Months ended December 31, 2016 (core)	\$1,422,000	(\$293,989)	\$1,128,011

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
December 31, 2016	\$92,792,000	\$51,893,574	\$ 1,634,390	\$146,319,964
December 31, 2016 (Tangible)	\$92,789,000	\$51,893,574	\$ 1,634,390	\$146,316,964

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
December 31, 2016	\$744,783,000	\$51,893,574	\$ 1,634,390	\$798,310,964

- (1) Includes ESOP and MRP stock purchases equal to 8.12 percent and 4.06 percent of the public shares, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25 percent taxable.
- (5) MRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

Exhibit IV-10
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Maximum

1.	Pro Forma Market Capitalization	\$ 77,544,710
	Less: Foundation Shares	<u>5,298,080</u>
2.	Offering Proceeds	\$ 72,246,630
	Less: Estimated Offering Expenses	<u>2,606,711</u>
	Net Conversion Proceeds	\$ 69,639,919
3.	Estimated Additional Income from Conversion Proceeds	
	Net Conversion Proceeds	\$ 69,639,919
	Less: Cash Contribution to Foundation	200,000
	Less: Non-Cash Stock Purchases (1)	<u>9,440,234</u>
	Net Proceeds Reinvested	\$ 59,999,685
	Estimated net incremental rate of return	<u>1.27%</u>
	Reinvestment Income	\$ 764,276
	Less: Estimated cost of ESOP borrowings (2)	0
	Less: Amortization of ESOP borrowings (3)	276,914
	Less: Amortization of Options (4)	405,977
	Less: Recognition Plan Vesting (5)	<u>415,370</u>
	Net Earnings Impact	(\$ 333,985)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$1,422,000	(\$333,985)	\$1,088,015
12 Months ended December 31, 2016 (core)	\$1,422,000	(\$333,985)	\$1,088,015

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
December 31, 2016	\$92,792,000	\$59,999,685	\$ 1,869,347	\$154,661,032
December 31, 2016 (Tangible)	\$92,789,000	\$59,999,685	\$ 1,869,347	\$154,658,032

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
December 31, 2016	\$744,783,000	\$59,999,685	\$ 1,869,347	\$806,652,032

- (1) Includes ESOP and MRP stock purchases equal to 8.12 percent and 4.06 percent of the public shares, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25 percent taxable.
- (5) MRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

Exhibit IV-10
PRO FORMA EFFECT OF CONVERSION PROCEEDS
Ponce Bank
At the Super Maximum Value

1. Pro Forma Market Capitalization	\$ 89,176,410
Less: Foundation Shares	<u>6,092,790</u>
2. Offering Proceeds	\$ 83,083,620
Less: Estimated Offering Expenses	<u>2,705,641</u>
Net Conversion Proceeds	\$ 80,377,979
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 80,377,979
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>10,856,268</u>
Net Proceeds Reinvested	\$ 69,321,711
Estimated net incremental rate of return	<u>1.27%</u>
Reinvestment Income	\$ 883,020
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	318,451
Less: Amortization of Options (4)	466,873
Less: Recognition Plan Vesting (5)	<u>477,676</u>
Net Earnings Impact	(\$ 379,980)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended December 31, 2016 (reported)	\$1,422,000	(\$379,980)	\$1,042,020
12 Months ended December 31, 2016 (core)	\$1,422,000	(\$379,980)	\$1,042,020

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
December 31, 2016	\$92,792,000	\$69,321,711	\$ 2,139,549	\$164,253,259
December 31, 2016 (Tangible)	\$92,789,000	\$69,321,711	\$ 2,139,549	\$164,250,259

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
December 31, 2016	\$744,783,000	\$69,321,711	\$ 2,139,549	\$816,244,259

- (1) Includes ESOP and MRP stock purchases equal to 8.12 percent and 4.06 percent of the public shares, respectively.
- (2) ESOP stock purchases are internally financed by a loan from the holding company.
- (3) ESOP borrowings are amortized over 15 years, amortization expense is tax-effected at a 34.0 percent rate.
- (4) Option valuation based on Black-Scholes model, 5 year vesting, and assuming 25 percent taxable.
- (5) MRP is amortized over 5 years, and amortization expense is tax effected at 34.0 percent.

EXHIBIT V-1

**RP® Financial, L.C.
Firm Qualifications Statement**

FIRM QUALIFICATION STATEMENT

RP[®] Financial (“RP[®]”) provides financial and management consulting, merger advisory and valuation services to the financial services industry nationwide. We offer a broad array of services, high quality and prompt service, hands-on involvement by principals and senior staff, careful structuring of strategic initiatives and sophisticated valuation and other analyses consistent with industry practices and regulatory requirements. Our staff maintains extensive background in financial and management consulting, valuation and investment banking. Our clients include commercial banks, thrifts, credit unions, mortgage companies, insurance companies and other financial services companies.

STRATEGIC PLANNING SERVICES

RP[®]'s strategic planning services are designed to provide effective feasible plans with quantifiable results. We analyze strategic options to enhance shareholder value, achieve regulatory approval or realize other objectives. Such services involve conducting situation analyses; establishing mission/vision statements, developing strategic goals and objectives; and identifying strategies to enhance franchise and/or market value, capital management, earnings enhancement, operational matters and organizational issues. Strategic recommendations typically focus on: capital formation and management, asset/liability targets, profitability, return on equity and stock pricing. Our proprietary financial simulation models provide the basis for evaluating the impact of various strategies and assessing their feasibility and compatibility with regulations.

MERGER ADVISORY SERVICES

RP[®]'s merger advisory services include targeting potential buyers and sellers, assessing acquisition merit, conducting due diligence, negotiating and structuring merger transactions, preparing merger business plans and financial simulations, rendering fairness opinions, preparing mark-to-market analyses, valuing intangible assets and supporting the implementation of post-acquisition strategies. Our merger advisory services involve transactions of financially healthy companies and failed bank deals. RP[®] is also expert in de novo charters and shelf charters. Through financial simulations, comprehensive data bases, valuation proficiency and regulatory familiarity, RP[®]'s merger advisory services center on enhancing shareholder returns.

VALUATION SERVICES

RP[®]'s extensive valuation practice includes bank and thrift mergers, thrift mutual-to-stock conversions, goodwill impairment, insurance company demutualizations, ESOPs, subsidiary companies, merger accounting and other purposes. We are highly experienced in performing appraisals which conform to regulatory guidelines and appraisal standards. RP[®] is the nation's leading valuation firm for thrift mutual-to-stock conversions, with appraised values ranging up to \$4 billion.

OTHER CONSULTING SERVICES

RP[®] offers other consulting services including evaluating the impact of regulatory changes (TARP, etc.), branching and diversification strategies, feasibility studies and special research. We assist banks/thrifts in preparing CRA plans and evaluating wealth management activities on a de novo or merger basis. Our other consulting services are facilitated by proprietary valuation and financial simulation models.

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Table 3.5
Interest Rate Risk Measures and Net Interest Income Volatility
Comparable Institution Analysis
As of September 30, 2016

		Balance Sheet Measures			Quarterly Change in Net Interest Income						
		Tangible Equity/ Assets (%)	IEA/ IBL (%)	Non-IEA Assets/ Assets (%)	9/30/2016	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015	
		(change in net interest income is annualized in basis points)									
Ponce Bank		NY									
December 31, 2016		12.5%	109.8%	4.8%	-8	-36	16	3	-5	-8	
All Public Companies		12.0%	128.7%	7.3%	0	2	-5	1	3	1	
State of NY		8.9%	117.3%	6.1%	-1	-1	-3	5	-1	2	
Comparable Group											
Average		12.6%	110.5%	5.3%	1	2	-6	-1	2	3	
Median		10.7%	107.8%	5.7%	4	1	-1	-2	2	4	
Comparable Group											
BYBK	Bay Bancorp, Inc.	MD	10.2%	109.4%	3.8%	-40	14	-31	-16	-13	18
CSBK	Clifton Bancorp Inc.	NJ	23.1%	123.7%	6.0%	-2	-2	-1	-4	2	10
CWAY	Coastway Bancorp, Inc.	RI	11.0%	105.1%	7.5%	1	-2	2	-4	3	9
ESBK	Elmira Savings Bank	NY	7.7%	103.9%	7.5%	8	-5	-1	25	-3	-4
MLVF	Malvern Bancorp, Inc.	PA	11.5%	108.8%	4.6%	10	3	-7	2	2	1
PBHC	Pathfinder Bancorp, Inc.	NY	7.6%	103.9%	5.5%	14	1	-8	-13	6	4
PBBI	PB Bancorp, Inc.	CT	15.5%	114.0%	6.0%	6	6	-1	0	8	4
PBIP	Prudential Bancorp, Inc.	PA	20.4%	122.9%	3.4%	2	1	4	-4	15	-14
WEBK	Wellesley Bancorp, Inc.	MA	8.3%	106.7%	2.7%	4	-2	-16	6	-7	6
WNEB	Western New England Bancorp, Inc.	MA	10.5%	106.8%	5.9%	5	1	0	3	7	0

NA=Change is greater than 100 basis points during the quarter.

Source: SNL Financial LC. and RP® Financial, LC. calculations. The information provided in this table has been obtained from sources we believe are reliable, but we cannot guarantee the accuracy or completeness of such information.

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