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

**PRE-EFFECTIVE AMENDMENT NO. 1 TO THE
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
2244 Westchester Avenue
Bronx, New York 10462
(718) 931-9000

(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, smaller reporting company or an

emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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 (2)

- (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.
(2) Previously paid.

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



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

	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>	<u>Adjusted Maximum</u>
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	\$ 1,966,713	\$ 1,966,713	\$ 1,966,713	\$ 1,966,713
Estimated selling agent fees and expenses (1)	\$ 634,000	\$ 720,026	\$ 806,051	\$ 904,981
Estimated net proceeds (1)	\$50,798,977	\$60,136,421	\$69,473,866	\$ 80,211,926
Estimated net proceeds per share (1)	\$ 9.51	\$ 9.57	\$ 9.62	\$ 9.65

- (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 \$2.9 million, \$3.4 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].

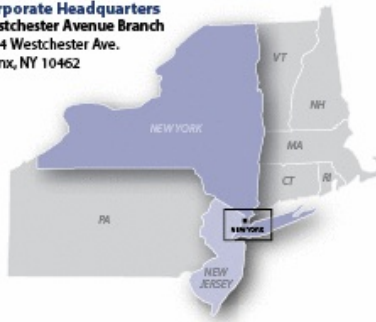
The date of this prospectus is [prospectus date].



Ponce Bank®



Corporate Headquarters
Westchester Avenue Branch
 2244 Westchester Ave.
 Bronx, NY 10462



BRONX
Southern Blvd Branch
 980 Southern Blvd.
 Bronx, NY 10459

Jerome Avenue Branch
 330 E 170th St.
 Bronx, NY 1045Z

Riverdale Branch
 5560 Broadway
 Bronx, NY 10463

MANHATTAN
106th Street Branch
 1925 3rd Ave.
 New York, NY 10029

MANHATTAN
Stuyvesant Town Branch
 319 1st Ave.
 New York, NY 10003

BROOKLYN
Smith Street Branch
 169 Smith St.
 Brooklyn, NY 11201

Flatlands Branch
 1900 Ralph Ave.
 Brooklyn, NY 11234

Bensonhurst Branch
 2047 86th St.
 Brooklyn, NY 11214

QUEENS
Astoria Branch
 34-05 Broadway
 Astoria, NY 11106

Jackson Heights Branch
 37-60 82nd St.
 Flushing, NY 11372

Forest Hills Branch
 100-20 Queens Blvd.
 Forest Hills, NY 11375

NEW JERSEY
Union City Branch
 3821 Bergenline Ave.
 Union City, NJ 07087

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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 March 31, 2017, we had total assets of \$786.3 million, gross loans receivable of \$687.2 million, total deposits of \$655.9 million and capital of \$93.5 million. We had net income of \$563,000 and \$1.4 million for the three months ended March 31, 2017 and the fiscal year ended December 31, 2016, respectively.

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;

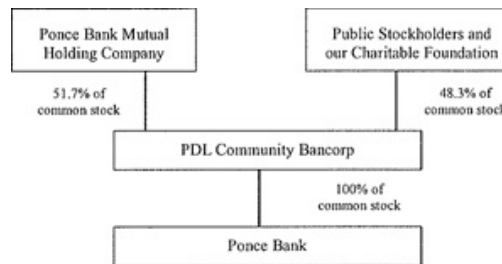
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- offer our depositors, employees, management and directors an equity ownership interest in PDL Community Bancorp, and thereby an economic interest in our future success;
- attract and retain qualified personnel by establishing stock-based benefit 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.

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 May 5, 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 December 31, 2016.

<u>Company Name</u>	<u>Ticker Symbol</u>	<u>Headquarters</u>	<u>Total Assets (In millions)</u>
Bay Bancorp, Inc.	BYBK	Columbia, MD	\$ 620
Clifton Bancorp Inc.	CSBK	Clifton, NJ	1,371
Coastway Bancorp, Inc.	CWAY	Warwick, RI	644
Elmira Savings Bank	ESBK	Elmira, NY	573
Hamilton Bancorp, Inc.	HBK	Towson, MD	500
Malvern Bancorp, Inc.	MLVF	Paoli, PA	879
Pathfinder Bancorp, Inc.	PBHC	Oswego, NY	749
PB Bancorp, Inc.	PBBI	Putnam, CT	521
Prudential Bancorp, Inc.	PBIP	Philadelphia, PA	590
Wellesley Bancorp, Inc.	WEBK	Wellesley, MA	695

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 March 31, 2017. 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 712.6% on a non-fully converted price-to-core earnings basis and a discount of 17.5% on a non-fully converted price-to-book value basis.

	Non-Fully Converted Pro Forma Price-to-Core Earnings Multiple (1)	Non-Fully Converted Pro Forma Price-to-Book Value Ratio
PDL Community Bancorp		
Adjusted Maximum	239.08 x	113.38%
Maximum	196.16	104.71
Midpoint	162.69	96.34
Minimum	132.02	86.88
Valuation of peer group companies as of May 5, 2017		
Averages	20.02	116.81
Medians	20.31	121.33

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 901.5% on a fully converted price-to-core earnings basis and a discount of 42.6% on a fully converted price-to-book value basis.

	Fully Converted Pro Forma Price-to-Core Earnings Multiple (1)	Fully Converted Pro Forma Price-to-Book Value Ratio
PDL Community Bancorp		
Adjusted Maximum	337.02 x	75.13%
Maximum	255.97	71.17
Midpoint	200.51	67.07
Minimum	155.06	62.23
Valuation of peer group companies as of May 5, 2017		
Averages	20.02	116.81
Medians	20.31	121.33

(1) Price-to-earnings multiples calculated by RP Financial, LC. in the independent appraisal are based on an estimate of "core" or recurring earnings on a trailing twelve month basis for the twelve months ended March 31, 2017 for PDL Community Bancorp and the most recent twelve month period available for the peer group companies.

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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 PDL Community Bancorp for a stock-based benefit plan, with the expense to be recognized 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 \$2.83 per option, and with the expense to be amortized over five years; and
- stock offering expenses would equal 2.5% 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, incur an expense of \$1.6 million (net) related to the termination of the Bank's pension plan 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 \$69.5 million, we intend to invest \$34.7 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, incur an expense of \$1.6 million (net) related to the termination of the Bank's pension plan and retain the remaining \$26.6 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, 529,808 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.”

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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. Any holder of subscription rights that does not receive a prospectus and offering materials will not be allowed to participate in the offering.

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	2,560(1)
Total		<u>10.78%</u>	<u>\$ 13,417</u>

(1) The fair value of stock options has been estimated at \$2.83 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 2.40%; and a volatility rate of 13.73% 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	\$1,316	\$1,549	\$1,781	\$2,048
\$10.00	\$2.83	\$1,646	\$1,936	\$2,226	\$2,560
\$12.00	\$3.40	\$1,975	\$2,323	\$2,672	\$3,072
\$14.00	\$3.96	\$2,304	\$2,710	\$3,117	\$3,584

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 284,800 shares of common stock in the offering, which represents 5.3% of the shares sold to the public and 2.4% 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.

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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 “Risk Factors – Risks Related to the Offering – 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.”

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 Crowe Horwath LLP, 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. You may also meet in person with a representative of Raymond James & Associates, Inc., who is assisting us with the offering, by visiting the Bank's administrative office located at 2244 Westchester Avenue, Bronx, NY, between the hours of [times and days of availability TBD].

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 March 31, 2017, \$339.9 million, or 49.5%, of our loan portfolio consisted of multifamily, nonresidential and construction and land loans as compared to \$310.0 million, or 47.6%, of our loan portfolio at December 31, 2016. 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.

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. In addition, any adverse developments with respect to borrowers or groups of borrowers that have more than one of these types of loans outstanding can expose us to significantly greater risk of loss compared to borrowers or groups of borrowers that only have one type of these loans. 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.

Some of our borrowers have more than one of these types of loans outstanding. At March 31, 2017, 390 loans with an aggregate balance of \$311.8 million are to borrowers with only one loan. Another 59 loans are to borrowers with more than one loan with a corresponding aggregate balance of \$28.1 million. The 59 loans are held by 25 borrowers of which 24 borrowers account for two loans each with an aggregate balance of \$26.2 million. One borrower accounts for eleven loans with an aggregate balance of \$1.9 million.

There are also groups of related borrowers either by common ownership or a guaranty relationship. At March 31, 2017, there were 41 groups that account for 97 loans with an aggregate balance of \$80.0 million. Of these groups 29 account for two loans each with an aggregate balance of \$36.9 million. Six of these groups account for three loans each with an aggregate balance of \$19.0 million. Five of these groups account for four loans each with an aggregate balance of \$22.2 million. One group accounts for one loan with a balance of \$1.9 million.

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 \$29.9 million, or 9.6%, from \$310.0 million at December 31, 2016 to \$339.9 million at March 31, 2017 and 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 a rolling 12 quarter average 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 March 31, 2017 and December 31, 2016, one-to-four family residential real estate loans amounted to \$334.0 million and \$325.0 million, or 48.6% and 49.9%, respectively, of our total loan portfolio. Of this, \$237.9 million and \$227.4 million, or 71.2% and 70.0%, respectively, 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 March 31, 2017 and December 31, 2016 and 2015, respectively, our allowance for loan losses totaled \$10.4 million, \$10.2 million and \$9.5 million, which represented 1.51%, 1.57% and 1.64% of total loans at such dates. 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 business 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.”

Adherence to our internal policies and procedures by management is critical to our performance and how we are perceived by our regulators.

Our internal policies and procedures are a critical component of our corporate governance and, in some cases, compliance with applicable regulations. We adopt internal policies and procedures to guide management and employees regarding the operation and conduct of our business. Any deviation or non-adherence to these internal policies and procedures, whether intentional or unintentional, could have a detrimental effect on our management, operations or financial condition.

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 \$7.1 million and \$7.0 million for the three months ended March 31, 2017 and 2016, respectively, while such 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 combined with operating in an expensive market. Our efficiency ratio was 88.1% and 90.3% for the three months ended March 31, 2017 and 2016, respectively. Our efficiency ratio was 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 present value or “NPV”) and our net interest income would change in the event of a range of assumed changes in market interest rates. At March 31, 2017, in the event of an instantaneous 200 basis point increase in interest rates, we estimate that we would experience an 11.26% decrease in NPV and a 5.18% 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.

At March 31, 2017 and December 31, 2016 and 2015, respectively, our securities portfolio totaled \$51.9 million, \$52.7 million and \$82.0 million, which represented 6.6%, 7.1% and 11.7% of total assets. All 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.

We intend to terminate our pension plan, which will reduce our net income in the year of termination.

We intend to terminate the Bank’s pension plan at some point following the completion of the reorganization and offering, although the time of the termination is uncertain. As of March 31, 2017, the Bank estimated that terminating the plan would result in a \$1.6 million charge to operations. We intend to use a portion of the proceeds of the offering, anticipated to be \$1.6 million, net, to fund the expense associated with the termination of the Bank’s pension plan, which will reduce the amount of proceeds available to support our growth strategy and other business purposes. Because the cost to terminate the pension plan is primarily dependent on the value of the pension plan’s assets and applicable interest rates at the time of the termination of the pension plan, we will not know the actual costs associated with the termination of the pension plan until the date of the termination, and the actual cost could be significantly different from the estimated cost. See “Management – Benefit Plans and Agreements – Pension Plan.”

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 \$469,000 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 6.42% 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 \$25.4 million and \$34.7 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, incur an expense relating to the termination of the Bank's pension 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 information at March 31, 2017 and for the three months ended March 31, 2017 and 2016 is unaudited and reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results for all of fiscal 2017 or any other interim period. 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 March 31,		At December 31,			
	2017	2016	2015	2014	2013	2012
(In thousands)						
Selected Financial Condition Data:						
Total assets	\$ 786,253	\$744,983	\$703,157	\$706,414	\$730,644	\$761,544
Cash and cash equivalents	16,504	11,716	12,694	15,849	12,752	21,141
Available for sale securities	51,937	52,690	82,034	100,574	102,305	108,693
Loans held for sale	2,143	2,143	3,303	2,707	5,667	—
Loans receivable, net	677,525	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	25,687	26,028	27,177	28,718	29,891	29,293
Federal Home Loan Bank stock, at cost	2,089	964	1,162	1,267	1,596	1,124
Deposits	655,882	643,078	599,506	599,697	627,060	666,851
Borrowings	28,000	3,000	8,000	10,000	11,000	—
Total capital accounts	93,474	92,992	91,062	89,600	87,711	86,147

	For the Three Months Ended March 31,		For the Years Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
(In thousands)							
Selected Operating Data:							
Interest and dividend income	\$ 8,794	\$ 8,600	\$33,741	\$33,590	\$ 35,495	\$37,162	\$41,078
Interest expense	1,496	1,434	5,936	5,650	5,730	7,701	9,504
Net interest income	7,298	7,166	27,805	27,940	29,765	29,461	31,574
Provision (recovery) for loan losses	52	(547)	(57)	353	1,183	3,426	5,132
Net interest income after provision (recovery) for loan losses	7,246	7,713	27,862	27,587	28,582	26,035	26,442
Noninterest income	758	541	2,431	2,462	2,749	3,106	3,042
Noninterest expense	7,096	6,956	27,863	26,216	25,797	24,671	23,970
Income before provision for income taxes	908	1,298	2,430	3,833	5,534	4,470	5,514
Provision for income taxes	345	490	1,005	1,315	2,998	2,015	1,424
Net income	563	808	1,425	2,518	2,536	2,455	4,090

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	At or For the Three Months Ended March		At or For the Years Ended December 31,				
	2017 (1)	2016 (1)	2016	2015	2014	2013	2012
Performance Ratios:							
Return on average assets	0.30%	0.46%	0.20%	0.35%	0.35%	0.33%	0.53%
Return on average equity	2.43%	3.46%	1.53%	2.76%	2.80%	2.79%	4.68%
Interest rate spread (2)	3.88%	4.09%	3.82%	3.96%	4.26%	3.98%	4.16%
Net interest margin (3)	4.09%	4.28%	4.02%	4.14%	4.42%	4.17%	4.36%
Noninterest expense to average assets	3.80%	3.95%	3.84%	3.67%	3.59%	3.30%	3.13%
Efficiency ratio (4)	88.08%	90.26%	92.15%	86.23%	79.34%	75.75%	69.25%
Average interest-earning assets to average interest-bearing liabilities	124.86%	122.55%	123.84%	121.66%	119.27%	117.72%	115.75%
Average equity to average assets	12.38%	12.99%	12.81%	12.78%	12.58%	11.79%	11.41%
Capital Ratios:							
Total capital to risk weighted assets (bank only)	18.16%	20.65%	19.21%	20.72%	20.32%	18.85%	17.97%
Tier 1 capital to risk weighted assets (bank only)	16.91%	19.40%	17.96%	19.46%	19.06%	17.59%	16.71%
Common equity Tier 1 capital to risk-weighted assets (bank only)	16.91%	19.40%	17.96%	19.46%	N/A	N/A	N/A
Tier 1 capital to average assets (bank only)	13.08%	13.80%	13.32%	13.67%	13.46%	12.65%	11.86%
Asset Quality Ratios:							
Allowance for loan losses as a percentage of total loans	1.51%	1.61%	1.57%	1.64%	1.71%	1.74%	1.69%
Allowance for loan losses as a percentage of nonperforming loans	134.92%	117.15%	132.15%	99.78%	58.79%	21.80%	17.39%
Net (charge-offs) recoveries to average outstanding loans during the year	0.02%	0.09%	0.13%	(0.06%)	(0.30%)	(0.61%)	(0.48%)
Non-performing loans as a percentage of total loans	1.12%	1.38%	1.19%	1.65%	2.91%	7.98%	9.73%
Non-performing loans as a percentage of total assets	0.98%	1.12%	1.04%	1.35%	2.28%	6.29%	7.59%
Total non-performing assets as a percentage of total assets	0.98%	1.12%	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	3.29%	3.84%	3.50%	4.19%	5.33%	7.50%	9.25%
Other:							
Number of offices	14	14	14	14	14	14	13
Number of full-time equivalent employees	177	172	174	175	164	168	168

(1) Ratios are annualized where appropriate.

(2) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.

(3) Represents net interest income as a percentage of average interest-earning assets.

(4) 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 \$50.8 million and \$69.5 million, or \$80.2 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)	
	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds
	(Dollars in thousands)							
Offering proceeds	\$ 53,400		\$ 62,823		\$ 72,247		\$ 83,084	
Less: offering expenses	(2,601)		(2,687)		(2,773)		(2,872)	
Net offering proceeds	<u>50,799</u>	100%	<u>60,136</u>	100%	<u>69,474</u>	100%	<u>80,212</u>	100%
Less:								
Proceeds to Ponce Bank	25,400	50	30,068	50	34,737	50	40,106	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)	4,652	9.2	5,473	9.1	6,293	9.1	7,238	9.0
Expense relating to termination of pension plan, net	1,639	3.2	1,639	2.7	1,639	2.4	1,639	2.0
Proceeds retained by PDL Community Bancorp	\$ 18,908	37.2%	\$ 22,757	37.8%	\$ 26,604	38.3%	\$ 31,029	38.8%

- (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 March 31, 2017, 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 March 31, 2017, 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.”

	Ponce De Leon Federal Bank Historical at March 31, 2017		Pro Forma at March 31, 2017, Based Upon the Sale in the Offering of (1)							
			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)
	(Dollars in thousands)									
Equity	\$ 93,474	11.89%	\$111,696	13.76%	\$115,133	14.11%	\$118,571	14.45%	\$122,523	14.83%
Tier 1 leverage capital	\$ 99,803	13.08%	\$118,025	14.97%	\$121,462	15.32%	\$124,900	15.66%	\$128,852	16.05%
Tier 1 leverage capital requirement	38,153	5.00%	39,413	5.00%	39,647	5.00%	39,880	5.00%	40,148	5.00%
Excess	\$ 61,650	8.08%	\$ 78,612	9.97%	\$ 81,815	10.32%	\$ 85,020	10.66%	\$ 88,704	11.05%
Tier 1 risk-based capital(4)	\$ 99,803	16.91%	\$118,025	19.82%	\$121,462	20.37%	\$124,900	20.91%	\$128,852	21.54%
Tier 1 risk-based requirement	\$ 47,224	8.00%	47,627	8.00%	47,701	8.00%	47,776	8.00%	47,862	8.00%
Excess	\$ 52,579	8.91%	\$ 70,398	11.82%	\$ 73,761	12.37%	\$ 77,124	12.91%	\$ 80,990	13.54%
Total risk-based capital(4)	\$ 107,219	18.16%	\$125,441	21.07%	\$128,878	21.61%	\$132,316	22.16%	\$136,268	22.78%
Total risk-based requirement	\$ 59,029	10.00%	\$ 59,533	10.00%	\$ 59,627	10.00%	\$ 59,720	10.00%	\$ 59,828	10.00%
Excess	\$ 48,190	8.16%	\$ 65,908	11.07%	\$ 69,251	11.61%	\$ 72,596	12.16%	\$ 76,440	12.78%
Common equity tier 1 risk-based capital(4)	\$ 99,803	16.91%	\$118,025	19.82%	\$121,462	20.37%	\$124,900	20.91%	\$128,852	21.54%
Common equity tier 1 risk-based requirement	38,369	6.50%	38,697	6.50%	38,757	6.50%	38,818	6.50%	38,888	6.50%
Excess	\$ 61,434	10.41%	\$ 79,328	13.32%	\$ 82,705	13.87%	\$ 86,082	14.41%	\$ 89,964	15.04%
Reconciliation of capital infused into Ponce Bank:										
Net offering proceeds to Ponce Bank			\$ 25,400		\$ 30,068		\$ 34,737		\$ 40,106	
Less: Common stock acquired by employee stock ownership plan			(4,652)		(5,473)		(6,293)		(7,238)	
Less: Common stock acquired for 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			\$ 18,222		\$ 21,659		\$ 25,097		\$ 29,049	

- (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 PDL Community Bancorp purchases 1.96% of our total outstanding shares (including shares issued to Ponce Bank Mutual Holding Company and our charitable foundation) for one or more stock based benefit plans 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 March 31, 2017, 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 March 31, 2017	Pro Forma Consolidated Capitalization at March 31, 2017 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)	\$ 655,882	\$ 655,882	\$ 655,882	\$ 655,882	\$ 655,882
Borrowings	28,000	28,000	28,000	28,000	28,000
Total deposits and borrowings	<u>\$ 683,882</u>	<u>\$ 683,882</u>	<u>\$ 683,882</u>	<u>\$ 683,882</u>	<u>\$ 683,882</u>
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)	—	119	140	161	185
Additional paid-in capital(3)	—	54,596	64,603	74,611	86,120
Retained earnings(4)	99,805	99,805	99,805	99,805	99,805
Tax benefit of contribution to charitable foundation	—	1,399	1,634	1,869	2,140
Accumulated other comprehensive income	(227)	(227)	(227)	(227)	(227)
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 for 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	(6,104)	(6,104)	(6,104)	(6,104)	(6,104)
Expense relating to termination of pension plan, net(8)	—	(1,639)	(1,639)	(1,639)	(1,639)
Total stockholders' equity	<u>\$ 93,474</u>	<u>\$ 136,655</u>	<u>\$ 144,996</u>	<u>\$ 153,338</u>	<u>\$ 162,930</u>
Total tangible stockholders' equity	<u>\$ 93,474</u>	<u>\$ 136,655</u>	<u>\$ 144,996</u>	<u>\$ 153,338</u>	<u>\$ 162,930</u>
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 (7)	—	11,866,598	13,960,703	16,054,808	18,463,029
Total stockholders' equity as a percentage of pro forma total assets	11.89%	16.48%	17.31%	18.12%	19.04%

- (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) 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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(continued from previous page)

- (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 to Ponce Bank Mutual Holding Company and to our charitable foundation) are purchased in the open market by PDL Community Bancorp for stock awards under one or more stock-based benefit plans and, further, that all of such shares will be subsequently awarded and will eventually vest according to the terms of such awards. The shares of common stock to be purchased by PDL Community Bancorp for the stock-based benefit plans are reflected as a reduction of stockholders' equity and all of such shares are deemed to be outstanding. 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.
- (8) Assumes that subsequent to the reorganization and offering, we will terminate our pension plan. See "Management – Benefit Plans and Agreements – Pension Plan."

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 three months ended March 31, 2017 and 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;
- an expense of \$1.6 million, net, to fund the termination of the Bank's pension plan; and
- expenses of the offering, other than fees to be paid to Raymond James & Associates, Inc., will be approximately \$2.0 million.

We calculated pro forma consolidated net income for the three months ended March 31, 2017 and 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 March 31, 2017, 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 PDL Community Bancorp 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 \$2.83 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 13.73% 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 2.40%.

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 Three Months Ended March 31, 2017 Based Upon the Sale at \$10.00 Per Share of			
	5,339,969 Shares	6,282,316 Shares	7,224,663 Shares	8,308,362 Shares (Adjusted Maximum of Offering Range)(1)
	(Minimum of Offering Range)	(Midpoint of Offering Range)	(Maximum of Offering Range)	
	(Dollars in thousands, except per share amounts)			
Gross proceeds of offering:	\$ 53,400	\$ 62,823	\$ 72,247	\$ 83,084
Less - Expenses	2,601	2,687	2,773	2,872
Estimated net proceeds	\$ 50,799	\$ 60,136	\$ 69,474	\$ 80,212
Less: Expense related to termination of pension plan, net	(1,639)	(1,639)	(1,639)	(1,639)
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	\$ 41,982	\$ 50,089	\$ 58,195	\$ 67,517
Net Income:				
Historical	\$ 563	\$ 563	\$ 563	\$ 563
Pro forma interest income on adjusted net proceeds	134	160	185	215
Pro forma capitalization of Ponce Bank Mutual Holding Company adjustment	(1)	(1)	(1)	(1)
Pro forma employee stock ownership plan adjustment (2)	(51)	(60)	(69)	(80)
Pro forma stock award adjustment (3)	(77)	(90)	(104)	(120)
Pro form stock option adjustment (4)	(75)	(89)	(102)	(117)
Pro forma net income:	<u>\$ 493</u>	<u>\$ 483</u>	<u>\$ 473</u>	<u>\$ 461</u>
Per basic share net income:				
Historical	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.03
Pro forma interest income on adjusted net proceeds	0.01	0.01	0.01	0.01
Pro forma capitalization of Ponce Bank Mutual Holding Company adjustment	0.00	0.00	0.00	0.00
Pro forma employee stock ownership plan adjustment (2)	0.00	0.00	0.00	0.00
Pro forma stock award adjustment (3)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma stock option adjustment (4)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma net income per basic share (5)	0.04	\$ 0.03	\$ 0.03	\$ 0.02
Offering price as a percentage of proform stockholders' equity per share	62.50	83.33	83.33	125.00
Number of shares outstanding for pro forma net income per share calculations (5)	11,409,180	13,422,564	12,435,948	17,751,340
Stockholders' equity:				
Historical	\$ 93,474	\$ 93,474	\$ 93,474	\$ 93,474
Estimated net proceeds	50,799	60,136	69,474	80,212
Less: Capitalization of Ponce Bank Mutual Holding Company	(200)	(200)	(200)	(200)
Less: Expense related to termination of pension plan, net	(1,639)	(1,639)	(1,639)	(1,639)
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>\$ 136,655</u>	<u>\$ 144,996</u>	<u>\$ 153,338</u>	<u>\$ 162,930</u>
Intangible assets	(3)	(3)	(3)	(3)
Pro forma tangible stockholders' equity	<u>\$ 136,652</u>	<u>\$ 144,993</u>	<u>\$ 153,335</u>	<u>\$ 162,927</u>
Stockholders' equity per share:				
Historical	\$ 7.88	\$ 6.70	\$ 5.82	\$ 5.06
Estimated net proceeds	4.28	4.31	4.32	4.34
Less: Capitalization of Ponce Bank Mutual Holding Company	(0.02)	(0.01)	(0.01)	(0.01)
Less: Expense related to termination of pension plan, net	(0.14)	(0.12)	(0.10)	(0.09)
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: Common 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>\$ 11.51</u>	<u>\$ 10.38</u>	<u>\$ 9.55</u>	<u>\$ 8.82</u>
Intangible assets	0.00	0.00	0.00	0.00
Pro forma tangible stockholders' equity per share	<u>\$ 11.51</u>	<u>\$ 10.38</u>	<u>\$ 9.55</u>	<u>\$ 8.82</u>
Offering price as a percentage of pro forma shareholders' equity per share	86.88%	96.34%	104.71%	113.38%
Offering price as a percentage of pro forma tangible stockholders' equity per share	86.88%	96.34%	104.71%	113.38%
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 34.0%. 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 7,753, 9,121, 10,489 and 12,062 shares were committed to be released during the three months ended March 31, 2017 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 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 34.0%. 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 \$2.83 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 footnote 2 above. As PDL Community Bancorp has no potential dilutive shares outstanding, pro forma net income per diluted share is equal to pro forma net income per basic share.
- (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 34.0% 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 three months ended March 31, 2017				
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	(\$2,224)	(\$2,690)	(\$3,156)	(\$3,692)
Pro forma net loss per share	(\$0.19)	(\$0.20)	(\$0.20)	(\$0.21)
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.

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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	6,282,316 Shares	7,224,663 Shares	8,308,362 Shares (Adjusted Maximum of Offering Range)(1)
	(Minimum of Offering Range)	(Midpoint of Offering Range)	(Maximum of Offering Range)	
	(Dollars in thousands, except per share amounts)			
Gross proceeds of offering:	\$ 53,400	\$ 62,823	\$ 72,247	\$ 83,084
Less - Expenses	2,601	2,687	2,773	2,872
Estimated net proceeds	\$ 50,799	\$ 60,136	\$ 69,474	\$ 80,212
Less: Expense related to termination of pension plan, net	(1,639)	(1,639)	(1,639)	(1,639)
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	\$ 41,982	\$ 50,089	\$ 58,195	\$ 67,517
Net Income:				
Historical	\$ 563	\$ 563	\$ 563	\$ 563
Pro forma interest income on adjusted net proceeds	134	160	185	215
Pro forma capitalization of Ponce Bank Mutual Holding Company adjustment	(1)	(1)	(1)	(1)
Pro forma employee stock ownership plan adjustment (2)	(51)	(60)	(69)	(80)
Pro forma stock award adjustment (3)	(77)	(90)	(109)	(120)
Pro form stock option adjustment (4)	(75)	(89)	(102)	(117)
Pro forma net income:	\$ 493	\$ 483	\$ 473	\$ 461
Per basic share net income:				
Historical	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.03
Pro forma interest income on adjusted net proceeds	0.01	0.01	0.01	0.01
Pro forma capitalization of Ponce Bank Mutual Holding Company adjustment	0.00	0.00	0.00	0.00
Pro forma employee stock ownership plan adjustment (2)	0.00	0.00	0.00	0.00
Pro forma stock award adjustment (3)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma stock option adjustment (4)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma net income per basic share (5)	0.04	\$ 0.03	\$ 0.03	\$ 0.02
Offering price as a percentage of proform stockholders' equity per share	62.50	83.33	83.33	125.00
Number of shares outstanding for pro forma net income per share calculations (5)	11,409,180	13,422,564	12,435,948	17,751,340
Stockholders' equity:				
Historical	\$ 93,474	\$ 93,474	\$ 93,474	\$ 93,474
Estimated net proceeds	50,799	60,136	69,474	80,212
Less: Capitalization of Ponce Bank Mutual Holding Company	(200)	(200)	(200)	(200)
Less: Expense related to termination of pension plan, net	(1,639)	(1,639)	(1,639)	(1,639)
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	\$ 136,655	\$ 144,996	\$ 153,338	\$ 162,930
Intangible assets	(3)	(3)	(3)	(3)
Pro forma tangible stockholders' equity	\$ 136,652	\$ 144,993	\$ 153,335	\$ 162,927
Stockholders' equity per share:				
Historical	\$ 7.88	\$ 6.70	\$ 5.82	\$ 5.06
Estimated net proceeds	4.28	4.31	4.32	4.34
Less: Capitalization of Ponce Bank Mutual Holding Company	(0.02)	(0.01)	(0.01)	(0.01)
Less: Expense related to termination of pension plan, net	(0.14)	(0.12)	(0.10)	(0.09)
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: Common 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)	\$ 11.51	\$ 10.38	\$ 9.55	\$ 8.82
Intangible assets	0.00	0.00	0.00	0.00
Pro forma tangible stockholders' equity per share	\$ 11.51	\$ 10.38	\$ 9.55	\$ 8.82
Offering price as a percentage of pro forma shareholders' equity per share	86.88%	96.34%	104.71%	113.38%
Offering price as a percentage of pro forma tangible stockholders' equity per share	86.88%	96.34%	104.71%	113.38%
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 34.0%. 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 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 34.0%. 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 \$2.83 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 footnote 2 above. As PDL Community Bancorp has no potential dilutive shares outstanding, pro forma net income per diluted share is equal to pro forma net income per basic share.
- (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 34.0% 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	(\$1,573)	(\$2,069)	(\$2,565)	(\$3,136)
Pro forma net loss per share	(\$0.14)	(\$0.15)	(\$0.17)	(\$0.18)
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 three months ended March 31, 2017 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	118,666	122,400	139,607	144,000	160,548	165,600	184,630	190,440
Total assets	829,434	833,680	837,775	842,747	846,117	851,813	855,709	862,240
Total liabilities	692,779	692,779	692,779	692,779	692,779	692,779	692,779	692,779
Pro forma shareholders' equity	136,655	140,901	144,996	149,968	153,338	159,034	162,930	169,461
Pro forma net income	\$ 493	\$ 504	\$ 483	\$ 496	\$ 473	\$ 488	\$ 461	\$ 479
Pro forma stockholders' equity per share	\$ 11.51	\$ 11.51	\$ 10.38	\$ 10.42	\$ 9.55	\$ 9.59	\$ 8.82	\$ 8.89
Pro forma net income per share	\$ 0.04	\$ 0.04	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.02	\$ 0.02
Pro forma pricing ratios:								
Offering price as a percentage of pro forma stockholder's equity per share	86.88%	86.88%	96.34%	95.97%	104.71%	104.28%	113.38%	112.49%
Offering price to pro forma net income per share	62.50x	62.50x	83.33x	83.33x	83.33x	83.33x	125.00x	125.00x
Pro forma financial ratios:								
Return on assets	0.24%	0.24%	0.23%	0.24%	0.22%	0.23%	0.22%	0.22%
Return on equity	1.44%	1.43%	1.33%	1.32%	1.23%	1.23%	1.13%	1.13%
Equity to assets	16.48%	16.90%	17.31%	17.80%	18.12%	18.67%	19.04%	19.65%
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 \$41.3 million, or 5.5%, to \$786.3 million at March 31, 2017 from \$745.0 million at December 31, 2016. 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 increases were 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 \$35.4 million, or 5.5%, to \$677.5 million at March 31, 2017 from \$642.1 million at December 31, 2016 and 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. Available-for-sale securities decreased \$800,000, or 1.5%, to \$51.9 million at March 31, 2017 from \$52.7 million at December 31, 2016 and 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 in the available-for-sale securities portfolio in 2016 was mainly attributed to maturities, calls, and pay downs throughout the year.

Net income decreased \$245,000, or 30.3%, to \$563,000 for the three months ended March 31, 2017, compared to \$808,000 for the three months ended March 31, 2016. The decrease was due to a decrease in net interest income after provision for loan losses, which decreased \$467,000, or 6.1%, to \$7.2 million for the three months ended March 31, 2017 from \$7.7 million for the three months ended March 31, 2016. This decrease was partially offset by an increase of \$217,000, or 40.1%, to \$758,000 for the three months ended March 31, 2017 from \$541,000 for the three months ended March 31, 2016. 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 24.5%, 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.

We have made significant investments over the last several years in adding senior management, experienced senior level individuals, and upgrading technology and facilities. This has had an adverse effect on our net income during those periods. During these same periods, we have been able to significantly improve our asset quality, resulting in lower provisions for loan losses. We believe the lower provisions for loan losses will continue as a result of the efforts of new senior management to enhance our underwriting standards and, in turn, asset quality.

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 March 31, 2017 and December 31, 2016, multifamily and nonresidential loans (not including loans secured by owner occupied properties), together with construction and land loans, totaled \$309.2 million and \$291.7 million, or 288.3% and 274.7%, respectively, of total risk-based capital. Under our current board approved loan concentration policy, such loans, including construction and land loans, shall not exceed 330% 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 during the three months ended March 31, 2017 by \$12.3 million, or 56.9%, when compared to the same period in 2016 and 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 \$12.8 million, or 2.0%, at March 31, 2017 to \$655.9 million compared to \$643.1 million at December 31, 2016. The majority of the increase was due to an increase of \$9.9 million, or 5.1%, in interest bearing deposits and \$6.2 million, or 7.8%, in demand deposits. 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, or 34.5%, in demand deposits and \$16.6 million, or 63.4%, in money market accounts. Certificates of deposit accounted for 55.7%, 57.3% and 60.7% of total deposits at March 31, 2017, December 31, 2016 and December 31, 2015, respectively. 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 0.98% at March 31, 2017, 1.04% at December 31, 2016 and 1.35% at December 31, 2015, compared to 7.59% 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 intend to 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. As of March 31, 2017, the Bank determines the historical loss experience

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by portfolio segment and it is based on the actual losses experienced by the Bank using a rolling 12 quarter average. 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 March 31, 2017. 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 judgments of collectability based on information available to them at the time of their review.

Refer to Note 1 to the Financial Statements for management's assessment of recently issued accounting pronouncements.

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 March 31, 2017 and December 31, 2016 and 2015, there were 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 March 31, 2017 and December 31, 2016

Total assets increased \$41.3 million, or 5.5%, at March 31, 2017, to \$786.3 million from \$745.0 million at December 31, 2016. 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 \$753,000, or 1.4% to \$51.9 million at March 31, 2017 from \$52.7 million at December 31, 2016. The decrease resulted primarily from principal pay downs of mortgage-backed securities.

We had \$2.1 million of loans held for sale at March 31, 2017 and at December 31, 2016.

Net loans receivable (which excludes \$2.1 million of loans held for sale) increased \$35.4 million, or 5.5%, to \$677.5 million at March 31, 2017 from \$642.1 million at December 31, 2016, reflecting increases in most loan categories. One-to-four family residential loans increased \$8.9 million to \$334.0 million at March 31, 2017 from \$325.0 million at December 31, 2016. Multifamily residences, nonresidential properties and construction and land loans increased \$3.6 million, \$19.1 million, and \$7.3 million, respectively, at March 31, 2017. These represented increases of 2.3%, 15.6% and 24.0%, respectively. This growth reflects our strategy to grow the portfolio with adjustable-rate loans to mitigate interest rate risk and increase our efficiency of operations. Business and consumer loans decreased \$3.3 million and \$47,000, or 20.9% and 5.6%, respectively, at March 31, 2017 as compared to December 31, 2016.

Total deposits increased \$12.8 million, or 2.0%, to \$655.9 million at March 31, 2017 from \$643.1 million at December 31, 2016. The increase was primarily due to increases in demand accounts of \$6.2 million, or 7.8%, to \$84.9 million at March 31, 2017 from \$78.8 million at December 31, 2016 and money market accounts of \$5.3 million, or 12.4%, to \$48.1 million at March 31, 2017 from \$42.8 million at December 31, 2016.

We had outstanding borrowings at March 31, 2017 and December 31, 2016 of \$28.0 million and \$3.0 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, as we did during the three months ended March 31, 2017, 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 \$482,000, or 0.5%, to \$93.5 million at March 31, 2017 from \$93.0 million at December 31, 2016. The increase was substantially due to net income of \$563,000 for the three months ended March 31, 2017. Capital was negatively affected by increases in unrealized losses on available-for-sale securities, net of tax, of \$61,000 and defined benefit pension plan liabilities, net of tax, of \$20,000 during the three months ended March 31, 2017.

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, calls, and principal paydowns 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 \$74.4 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. One- to four-family residential loans increased \$15.7 million, or 5.1%, 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 the dates and for the periods 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 March 31,	For the Three Months Ended March 31,					
	2017	2017			2016		
	Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate (1)	Average Outstanding Balance	Interest	Average Yield/Rate (1)
(Dollars in thousands)							
Interest-earning assets:							
Loans	5.18%	\$ 662,174	8,592	5.26%	\$ 580,106	8,279	5.74%
Available-for-sale securities	1.44%	52,341	183	1.42%	80,645	305	1.52%
Other (2)	0.47%	9,963	19	0.77%	12,774	16	0.50%
Total interest-earning assets		724,478	8,794	4.92%	673,525	8,600	5.14%
Non-interest-earning assets		32,887			34,733		
Total assets		\$ 757,365			\$ 708,258		
Interest-bearing liabilities:							
Savings accounts	0.10%	128,859	123	0.39%	124,413	68	0.22%
Interest-bearing demand	0.28%	71,043	27	0.15%	51,175	22	0.17%
Certificates of deposit	1.51%	362,470	1,316	1.47%	366,145	1,336	1.47%
Total deposits		562,372	1,466	1.06%	541,733	1,425	1.06%
Advance payments by borrowers	1.25%	4,928	1	0.08%	3,814	1	0.11%
Borrowings	1.04%	12,955	29	0.91%	4,066	7	0.69%
Total interest-bearing liabilities		580,255	1,496	1.05%	549,613	1,434	1.05%
Non-interest-bearing liabilities:							
Non-interest-bearing demand		80,066	—		63,474	—	
Other non-interest-bearing liabilities		3,247	—		3,198	—	
Total non-interest-bearing liabilities		83,313	—		66,672	—	
Total liabilities		663,568	1,496		616,285	1,434	
Total equity		93,797			91,973		
Total liabilities and total equity		\$ 757,365		1.05%	\$ 708,258		1.05%
Net interest income			\$ 7,298			\$ 7,166	
Net interest rate spread(3)				3.88%			4.09%
Net interest-earning assets (4)		\$ 144,223			\$ 123,912		
Net interest margin (5)				4.09%			4.28%
Average interest-earning assets to interest-bearing liabilities				124.86%			122.55%

Footnotes on following page.

	At December 31,	For the Years Ended December 31,								
	2016	2016			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 (2)	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%	122,538	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		\$ 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(3)				3.82%			3.96%			4.26%

Net interest-earning assets (4)	<u>\$ 133,091</u>	<u>\$ 120,221</u>	<u>\$ 108,789</u>	
Net interest margin (5)		4.02%	4.14%	4.42%
Average interest-earning assets to interest-bearing liabilities		123.84%	121.66%	119.27%

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- (1) Annualized where appropriate.
 - (2) Includes FHLB demand accounts and FHLB stock dividends.
 - (3) 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.
 - (4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
 - (5) 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 periods indicated. The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). 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.

	Three Months Ended March 31, 2017 vs. 2016			Years Ended December 31, 2016 vs. 2015			Years Ended December 31, 2015 vs. 2014		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate (In thousands)		Volume	Rate (In thousands)		Volume	Rate (In thousands)	
Interest-earning assets:									
Loans	\$ 1,101	\$ (788)	\$ 313	\$ 2,029	\$ (1,469)	\$ 560	\$ 613	\$ (2,380)	\$ (1,767)
Securities	(100)	(21)	(121)	(386)	(31)	(417)	(89)	(48)	(137)
Other	4	(2)	2	(21)	29	8	(2)	1	(1)
Total interest-earning assets	1,005	(811)	194	1,622	(1,471)	151	522	(2,427)	(1,905)
Interest-bearing liabilities:									
Savings	2	43	55	8	79	87	(9)	2	(7)
Interest-bearing demand	8	(3)	5	14	4	18	3	14	17
Certificates of deposit	(13)	(7)	(20)	63	171	234	(184)	76	(108)
Total deposits	(3)	43	40	85	254	339	(190)	92	(98)
Advance payment by borrowers	—	—	—	1	(1)	—	—	—	—
Borrowings	19	4	23	(77)	24	(53)	24	(6)	18
Total interest-bearing liabilities	16	47	63	9	277	286	(166)	86	(80)
Change in net interest income	\$ 989	\$ (858)	\$ 131	\$ 1,613	\$ (1,748)	\$ (135)	\$ 688	\$ (2,513)	\$ (1,825)

Comparison of Operating Results for the Three Months Ended March 31, 2017 and 2016

General. Net income decreased \$245,000, or 30.3%, to \$563,000 for the three months ended March 31, 2017, compared to \$808,000 for the three months ended March 31, 2016. The decrease was due to a decrease in net interest income after provision for loan losses, which decreased \$467,000, or 6.1%, to \$7.2 million for the three months ended March 31, 2017 from \$7.7 million for the three months ended March 31, 2016. This decrease was partially offset by an increase of \$217,000, or 40.1%, to \$758,000 for the three months ended March 31, 2017 from \$541,000 for the three months ended March 31, 2016.

Interest Income. Interest and dividend income increased \$194,000, or 2.3%, to \$8.8 million for the three months ended March 31, 2017 from \$8.6 million for the three months ended March 31, 2016. The increase was due primarily to a \$313,000, or 3.8%, increase in interest income on loans, which is our primary source of interest income. Our average balance of loans increased \$82.1 million, or 14.2%, to \$662.2 million for the three months ended March 31, 2017 from \$580.1 million for the three months ended March 31, 2016. The increase in average balance resulted primarily from increases in the multifamily residential and nonresidential mortgage loan portfolios. Our average yield on loans decreased 48 basis points to 5.26% for the three months ended March 31, 2017 from 5.74% for the three months ended March 31, 2016, 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 Federal Home Loan Bank of New York stock decreased \$119,000, or 37.1%, to \$202,000 for the three months ended March 31, 2017 from \$321,000 for the three months ended March 31, 2016. The average rate we earned on investment securities and Federal Home Loan Bank of New York stock decreased 7 basis points to 1.31% for the three months ended March 31, 2017 from 1.38% for the three months ended March 31, 2016. Our average balance of investment securities and Federal Home Loan Bank of New York stock decreased \$31.1 million, or 33.3%, to \$62.3 million for the three months ended March 31, 2017 from \$93.4 million for the three months ended March 31, 2016.

Interest Expense. Interest expense increased \$62,000 or 4.3%, to \$1.5 million for the three months ended March 31, 2017 from \$1.4 million for the three months ended March 31, 2016. The increase was the result of an increase in interest expense on borrowings and other deposits, offset by a decrease in interest expense on certificates of deposit. Specifically, interest expense on other deposits increased \$60,000, or 65.9%, to \$151,000 for the three months ended March 31, 2017 from \$91,000 for the three months ended March 31, 2016. The average balance of certificates of deposit decreased \$3.6 million, or 1.0%, to \$362.5 million for the three months ended March 31, 2017 from \$366.1 million for the three months ended March 31, 2016, while the average rate we paid on certificates of deposit remained constant at 1.47% for the three months ended March 31, 2017 and for the three months ended March 31, 2016.

Interest expense on other deposits and borrowings increased \$82,000 to \$180,000 for the three months ended March 31, 2017 from \$98,000 for the three months ended March 31, 2016. 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 increased \$33.2 million, or 18.5%, to \$212.9 million for the three months ended March 31, 2017 from \$179.7 million for the three months ended March 31, 2016, and the average rate we paid on other deposits and borrowings increased 13 basis points to 0.34% for the three months ended March 31, 2017 from 0.21% for the three months ended March 31, 2016, reflecting higher market interest rates.

Net Interest Income. Net interest income increased \$132,000, or 1.8%, to \$7.3 million for the three months ended March 31, 2017 from \$7.2 million for the three months ended March 31, 2016, primarily as a result of increasing loan volumes offset by lower market yields on earning assets. Our average net interest-earning assets increased by \$51.0 million, or 7.6%, to \$724.5 million for the three months ended March 31, 2017 from \$673.5 million for the three months ended March 31, 2016, due primarily to our loan growth, described above. Our net interest rate spread decreased by 21 basis points to 3.88% for the three months ended March 31, 2017 from 4.09% for the three months ended March 31, 2016, and our net interest margin decreased by 19 basis points to 4.09% for the three months ended March 31, 2017 from 4.28% for the three months ended March 31, 2016, 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 are promoting core deposit products while concurrently 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 established a provision for loan losses for the three months ended March 31, 2017 of \$52,000 as compared to a recovery of \$547,000 for the three months ended March 31, 2016. Our allowance for loan losses was \$10.4 million at March 31, 2017 as compared to \$9.5 million at March 31, 2016. The allowance for loan losses to total loans decreased to 1.51% at March 31, 2017 from 1.61% at March 31, 2016, and the allowance for loan losses to non-performing loans increased to 134.9% at March 31, 2017 from 117.2% at March 31, 2016. 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 March 31, 2017. 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, periodically reviews our allowance for loan losses and as a result of such reviews, we may determine 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.

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

	Three Months Ended		Change		Years Ended		Change	
	March 31, 2017	2016	Amount	Percent	December 31, 2016	2015	Amount	Percent
	(Dollars in thousands)							
Service charges and fees	\$ 229	\$ 238	\$ (9)	(3.8%)	\$ 938	\$1,073	\$ (135)	(12.6%)
Brokerage commissions	118	179	(61)	(34.1%)	515	421	94	22.3%
Late and prepayment charges	211	66	145	219.7%	302	548	(246)	(44.9%)
Other	200	58	142	244.8%	676	420	256	61.0%
Total noninterest income	<u>\$ 758</u>	<u>\$ 541</u>	<u>\$ 217</u>	40.1%	<u>\$2,431</u>	<u>\$2,462</u>	<u>\$ (31)</u>	(1.3%)

The increase in non-interest income for the three months ended March 31, 2017 compared to the same period in 2016 was primarily due to increases of \$145,000 and \$142,000 in late and prepayment charges and other (loss on loan sold), respectively.

Non-interest Expense. Non-interest expense information is as follows.

	Three Months Ended		Change		Years Ended		Change	
	March 31, 2017	2016	Amount	Percent	December 31, 2016	2015	Amount	Percent
	(Dollars in thousands)							
Compensation and benefits	\$ 3,829	\$ 3,664	\$ 165	4.5%	\$14,979	\$13,463	\$1,516	11.3%
Occupancy	1,425	1,408	17	1.2%	5,651	5,754	(103)	(1.8%)
Data processing	448	370	78	21.1%	1,617	1,299	318	24.5%
Direct loan expense	195	254	(59)	(23.2%)	860	725	135	18.6%
Insurance and surety bond premiums	82	137	(55)	(40.1%)	464	699	(235)	(33.6%)
Office supplies, telephone and postage	254	261	(7)	(2.7%)	1,071	997	74	7.4%
Federal deposit insurance premiums	66	225	(159)	(70.7%)	538	899	(361)	(40.2%)
Other operating expenses	797	637	160	25.1%	2,683	2,380	303	12.7%
Total noninterest expense	<u>\$ 7,096</u>	<u>\$ 6,956</u>	<u>\$ 140</u>	2.0%	<u>\$27,863</u>	<u>\$26,216</u>	<u>\$1,647</u>	6.3%

For the three months ended March 31, 2017 compared to the same period in 2016, compensation and benefits expense increased by \$165,000 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 expenses increased by \$160,000, due to marketing outlays to generate organic growth and investments in new products and services, as well as an increase in audit and accounting services. Data processing expenses also increased by \$78,000 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 a decrease of \$159,000 in FDIC insurance assessments for the three months ended March 31, 2017.

Income Tax Expense. We incurred income tax expense of \$345,000 and \$490,000 for the three months ended March 31, 2017 and 2016, respectively, resulting in effective rates of 38.0% and 37.8%, respectively. At both March 31, 2017 and 2016, net deferred tax assets amounted to \$3.4 million. The decrease in tax expense resulted from a \$390,000, or 30.0%, decrease in pre-tax income to \$908,000 for the three months ended March 31, 2017 from \$1.3 million for the three months ended March 31, 2016.

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 Federal Home Loan Bank of New York 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 Federal Home Loan Bank of New York 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 Federal Home Loan Bank of New York 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 are promoting core deposit products while concurrently 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 determine 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. The decrease in non-interest income for the year ended December 31, 2016 compared to the same period in 2015 was primarily due to decreases of \$135,000 and \$246,000 in service charges and fees and late and prepayment charges, respectively.

Non-interest Expense. For the year ended December 31, 2016 compared to the same period in 2015, 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. 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 36.8%, 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 March 31, 2017, 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 Change
	Year 1 Forecast	from Level
	(Dollars in thousands)	
+400	\$ 25,713	-11.74%
+300	26,690	-8.39%
+200	27,624	-5.18%
+100	28,460	-2.31%
Level	29,134	—
-100	29,159	0.09%

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

The table above indicates that at March 31, 2017, in the event of an instantaneous 200 basis point increase in interest rates, we would experience a 5.18% decrease in net interest income, and in the event of an instantaneous 100 basis point decrease in interest rates, we would experience a 0.09% increase in net interest income.

Net Present Value. We also compute amounts by which the net present value of our assets and liabilities (net present value or “NPV”) 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 March 31, 2017, the calculation of the estimated changes in our NPV 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		Value of Assets (3)	
		Amount	Percent	NPV Ratio (4)	Increase (Decrease) (basis points)
+400	\$ 92,175	\$ (32,196)	-25.89%	12.48%	(283)
+300	101,594	(22,778)	-18.31%	13.41%	(190)
+200	110,373	(13,999)	-11.26%	14.22%	(110)
+100	118,239	(6,132)	-4.93%	14.88%	(44)
	124,372	—	0.00%	15.31%	—
-100	129,134	4,762	3.83%	15.60%	29

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

(2) NPV 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) NPV Ratio represents NPV divided by the present value of assets.

The table above indicates that at March 31, 2017, in the event of an instantaneous 200 basis point increase in interest rates, we would experience an 11.26% decrease in net economic value, and in the event of an instantaneous 100 basis point decrease in interest rates, we would experience a 3.83% 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 March 31, 2017, 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 March 31, 2017, 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	\$ 11,947	\$ 11,947	\$ 11,947	\$ 11,947	\$ 11,947	\$ 11,947	\$ 11,947	\$ 4,557	\$ 16,504
Securities	2,008	3,046	10,300	38,273	51,878	52,281	52,281	(344)	51,937
Net loans (includes LHFS)	53,429	89,463	167,968	289,973	612,938	680,875	680,875	(1,208)	679,667
FHLB Stock	—	—	—	—	2,089	2,089	2,089	—	2,089
Other assets	—	—	—	—	6	6	6	36,047	36,053
Total	\$ 67,384	\$ 104,456	\$ 190,215	\$ 340,193	\$ 678,858	\$747,198	\$747,198	\$ 39,052	\$786,250
Liabilities:									
Non-maturity deposits	\$ 206,585	\$ 206,585	\$ 206,585	\$ 206,585	\$ 206,585	\$206,585	\$206,585	\$ 80,053	\$286,638
Certificates of deposit	51,205	85,555	155,131	238,838	362,820	365,407	365,407	—	365,407
Other liabilities	28,000	28,000	28,000	28,000	28,000	28,000	28,000	12,734	40,734
Total liabilities	285,790	320,140	389,716	473,423	597,405	599,992	599,992	92,787	692,779
Capital	—	—	—	—	—	—	—	93,474	93,474
Total liabilities and capital	\$ 285,790	\$ 320,140	\$ 389,716	\$ 473,423	\$ 597,405	\$599,992	\$599,992	\$ 186,261	\$786,253
Asset/liability gap	\$(218,406)	\$(215,684)	\$(199,501)	\$(133,230)	\$ 81,453	\$147,206	\$147,206		
Gap/assets ratio	23.58%	32.63%	48.81%	71.86%	113.63%	124.53%	124.53%		

At March 31, 2017, our asset/liability gap from zero days to one year was (\$199.5) million, resulting in a gap/assets ratio of 48.81%.

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
Total liabilities	\$ 252,882	\$ 298,418	\$ 367,066	\$ 437,040	\$ 566,847	\$569,006	\$569,006	\$ 82,985	\$651,991
Capital	—	—	—	—	—	—	—	92,992	92,992
Total liabilities and capital	\$ 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 NPV 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 NPV 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 March 31, 2017 and December 31, 2016, we had \$28.0 million and \$3.0 million, respectively, 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. At March 31, 2017, we had eligible collateral of approximately \$166.2 million in mortgage loans available to secure advances from the Federal Home Loan Bank of New York. At March 31, 2017 and 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 March 31, 2017 and 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 \$2.9 million and \$3.8 million for the three months ended March 31, 2017 and 2016, respectively. Net cash (used in) investing activities, which consists primarily of disbursements for loan originations, offset by principal collections on loans, proceeds from maturing securities and pay downs on mortgage-backed securities, was \$(36.0) million and \$(4.8) million for the three months ended March 31, 2017 and 2016, respectively. Net cash provided by financing activities, consisting of activities in deposit accounts, was \$37.8 million and \$13.2 million for three months ended March 31, 2017 and 2016, respectively.

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 March 31, 2017 and December 31, 2016, we exceeded all of our regulatory capital requirements, and we were categorized as well capitalized at March 31, 2017 and 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 March 31, 2017 and December 31, 2016, we had outstanding commitments to originate loans of \$90.6 million and \$63.7 million, respectively. 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 March 31, 2017 totaled \$157.7 million and 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 residential investor owned and owner occupied mortgage loans and, at March 31, 2017, such loans continue to comprise the largest concentration of the loan portfolio (48.6% of total loan balance and 52.4% of the total number of loans at such date). 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 investor owned and owner occupied, 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 14%, 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. For our C&I loan originations, variable rate pricing will be offered based on prime rate pricing plus margin. 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 both March 31, 2017 and December 31, 2016, we had \$2.1 million of loans held-for-sale. Loans in process at March 31, 2017 and December 31, 2016 were \$29.9 million and \$21.4 million, respectively.

	At March 31,		2016		2015		At December 31,		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)														
Mortgage loans:														
1-4 family residences														
Investor Owned	\$237,904	34.62%	\$227,409	34.90%	\$203,239	35.25%	\$190,726	34.54%	\$195,762	34.27%	\$207,981	34.99%		
Owner-Occupied	96,085	13.98%	97,631	14.98%	106,053	18.39%	105,222	19.05%	111,252	19.47%	105,084	17.68%		
Multifamily residences	161,833	23.55%	158,200	24.28%	122,836	21.30%	110,978	20.10%	107,541	18.82%	107,949	18.16%		
Nonresidential properties	140,501	20.45%	121,500	18.64%	106,462	18.46%	111,806	20.24%	109,603	19.19%	115,614	19.45%		
Construction and land	37,610	5.47%	30,340	4.66%	22,883	3.97%	18,707	3.39%	25,567	4.48%	29,708	5.00%		
Total mortgage loans	673,933	98.07%	635,080	97.46%	561,473	97.37%	537,439	97.32%	549,725	96.23%	566,336	95.28%		
Nonmortgage loans:														
Business	12,434	1.81%	15,719	2.41%	14,350	2.49%	14,206	2.57%	20,349	3.56%	26,545	4.47%		
Consumer	796	0.12%	843	0.13%	788	0.14%	614	0.11%	1,210	0.21%	1,537	0.25%		
Total nonmortgage loans	13,230	1.93%	16,562	2.54%	15,138	2.63%	14,820	2.68%	21,559	3.77%	28,082	4.72%		
	<u>687,163</u>	<u>100.00%</u>	<u>651,642</u>	<u>100.00%</u>	<u>576,611</u>	<u>100.00%</u>	<u>552,259</u>	<u>100.00%</u>	<u>571,284</u>	<u>100.00%</u>	<u>594,418</u>	<u>100.00%</u>		
Net deferred loan origination costs	732		711		535		479		279		244			
Allowance for losses on loans	(10,370)		(10,205)		(9,484)		(9,449)		(9,940)		(10,056)			
Loans, net	<u>\$677,525</u>		<u>\$642,148</u>		<u>\$567,662</u>		<u>\$543,289</u>		<u>\$561,623</u>		<u>\$584,606</u>			

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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 at March 31, 2017:

At March 31, 2017			
Loan Type	# of Loans	Principal Balance (In Thousands)	% of Portfolio
Mortgage loans:			
1-4 family residences			
1-4 Family Investor Owned	514	\$ 237,904	34.62%
1-4 Family Owner Occupied	292	96,085	13.98%
Multifamily residences	225	161,833	23.55%
Nonresidential properties	203	140,501	20.45%
Construction and land			
Construction 1-4 Investor	5	2,426	0.35%
Construction Multifamily	12	30,057	4.37%
Construction Nonresidential	3	4,824	0.70%
Land loan	1	303	0.04%
Nonmortgage loans:			
Business loans			
C&I lines of credit	93	7,491	1.09%
C&I loans (term)	21	4,943	0.72%
Consumer loans			
Unsecured	34	339	0.05%
Passbook	139	457	0.07%
Grand Total	1,542	\$ 687,163	100.00%

One-to-four Family Investor Owned Loans. At \$237.9 million, or 34.6%, of the Bank's total loan portfolio at March 31, 2017, investor owned mortgage loans secured by non-owner occupied one-to-four family residences represent the Bank's largest single lending category. The majority of this portfolio, \$199.5 million, or 83.9%, are two-to-four family properties (407 accounts), while the remaining \$38.4 million, or 16.1%, are single family non-owner occupied investment properties (107 accounts). The three largest loans in this category are \$5.0 million, \$3.1 million and \$2.8 million. In this category, loans totaling \$105.3 million, or 44.1%, are secured by properties located in Queens County, \$70.8 million, or 29.7%, in Kings County, \$20.3 million, or 8.5%, in Bronx County, and \$16.9 million, or 7.1%, in New York County. The rest of this category, less than 11.0%, is spread out in other counties and no other concentration exceeded \$10.0 million or 5.0%.

One-to-four family investor-owned loans involve a greater degree of risk than one-to-four family owner occupied loans. Rather than depending on the borrower's repayment ability from employment or other income, the borrower's repayment ability is primarily dependent on ensuring that a tenant occupies the investor property and has the financial capacity to pay sufficient rent to cover the borrower's debt. In addition, if an investor borrower has several loans secured by properties in the same market, the loans have risks similar to a multifamily real estate loan and repayment of those loans is subject to adverse conditions in the rental market or the local economy.

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 (net operating income divided by debt service requirement) 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 (net operating income divided by debt service requirement) 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. The maximum term on such loans is 30 years, typically with five year adjustable rates.

One-to-four Family Owner Occupied Loans. Lending in this category totaled \$96.1 million, or 14.0% of the Bank's total loan portfolio at March 31, 2017. 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. At March 31, 2017, approximately 39.8% of this category is secured by properties located in Queens County and 11.4% 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 90% for a purchase and 80% for a refinance, 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 \$302.3 million, or 44.0% of the Bank's total loan portfolio at March 31, 2017, mortgages secured by multifamily and nonresidential properties represent the Bank's largest lending concentration. The nonresidential portfolio accounts for \$140.5 million of the \$302.3 million, of which \$30.7 million is classified as owner used, owner occupied. The overall mix is quite diverse in terms of property types, with the largest concentration being retail and wholesale at \$53.9 million or 38.4% of the portfolio, industrial and warehouse at \$24.5 million or 17.5%, service, doctor, dentist, beauty, etc. at \$18.3 million or 13.0%, offices at \$14.6 million or 10.4%, churches at \$12.3 million or 8.7%, restaurants at \$7.6 million or 5.4% and hotels and motels at \$6.3 million or 4.5%. The rest of the portfolio accounts for other property types, with none exceeding 1% as a portfolio concentration. The three largest loans were \$7.5 million, \$7.4 million and \$5.7 million, with the largest being a nonresidential building, and the other two consist of multifamily and nonresidential buildings. From the total of \$302.3 million, 81 loans have balances in excess of \$1.0 million and they account for \$164.7 million, or approximately 54.5% of this lending concentration. In terms of geographical concentrations, \$125.4 million, or 41.5%, are secured by properties located in Queens County, \$60.5 million, or 20.0%, in Bronx County, \$45.0 million or 14.9%, in Kings County, \$21.0 million, or 6.9%, in New York County and \$18.8 million, or 6.2%, in Westchester County. All other concentrations by county, which account for less than 11% of this category, are balances of \$10.0 million or less.

The Bank considers a number of factors in originating multifamily and nonresidential mortgages. Loans secured by multifamily and nonresidential real estate generally have larger balances and involve a greater degree of risk than one-to-four family residential real estate loans. The primary concern in this type of lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. To address the risks involved with evaluating the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of 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. 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 nonresidential 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 \$37.6 million, or 5.5% (21 projects), of the Bank's total loan portfolio as of March 31, 2017, with the majority consisting of multifamily residential projects (12 projects). Out of the \$37.6 million, \$30.1 million are multifamily of which \$12.4 million are secured by properties located in Queens County, \$14.3 in Kings County, \$2.7 million in Bronx County and \$550,000 in New York County. Size varies from 5 unit gut rehab projects to 49 residential units on a single project. In total, the multifamily construction portfolio accounts for 253 residential units. At March 31, 2017, loans in process related to construction loans totaled \$29.9 million.

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

- a minimum of 5% contingency;
- a minimum of 5% retainage;
- a loan-to-cost ratio of 70% or less;
- an end loan loan-to-value ratio of 65% 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.

Construction lending involves additional risks when compared with permanent lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. 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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The following table provides a breakdown of the Bank's loan portfolio (excluding loans held-for-sale) by product type and principal balance outstanding at December 31, 2016:

At December 31, 2016			
Loan Type	# of Loans	Principal Balance (In Thousands)	% of Portfolio
Mortgage loans:			
1-4 family residences			
1-4 Family Investor Owned	508	\$ 227,409	34.90%
1-4 Family Owner Occupied	295	97,631	14.98%
Multifamily residences	223	158,200	24.28%
Nonresidential properties	201	121,500	18.65%
Construction and land			
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:			
Business loans			
C&I lines of credit	93	10,946	1.68%
C&I (term)	22	4,773	0.73%
Consumer loans			
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, investor owned mortgage loans secured by non-owner occupied one-to-four family residences represent the Bank's 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, loans totaling \$95.0 million, or 41.7%, are secured by properties 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%.

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. At December 31, 2016, approximately 39.4% of this category is secured by properties located in Queens County and 11.6% in New York County. None of the other geographical concentrations exceeded 10% of this category.

Multifamily and NonResidential Lending. At \$279.7 million, or 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 used, 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 \$15.8 million or 12.8%, offices at \$13.3 million or 10.9%, 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 lending concentration. In terms of geographical concentrations, \$127.4 million, or 45.5%, are secured by properties located in Queens County, \$43.0 million, or 15.4%, 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, have balances of \$10.0 million or less.

Construction and Land Lending. Construction and land lending totaled \$30.3 million, or 4.7% (20 projects), of the Bank's total loan portfolio at December 31, 2016, with the majority consisting of multifamily residential projects (11 projects). Out of the \$30.3 million, \$21.6 million are multifamily of which \$9.6 million are secured by properties located in Queens County, \$9.0 million in Kings County, \$2.4 million in Bronx County and \$600,000 in New York County. Size varies from 5 unit gut rehab projects to 44 residential units on a single project. In total, the multifamily construction portfolio accounts for 204 residential units. At December 31, 2016, loans in process related to construction loans totaled \$21.4 million.

C&I Loans and Lines of Credit. C&I loans and lines of credit represent a small portion of the Bank's total loan portfolio at March 31, 2017 and December 31, 2016, less than 2.0% and 2.5%, respectively. Unlike residential real estate loans, which are secured by real property whose value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business and the collateral securing these loans may fluctuate in value.

Although the Bank's loan policy allows for the extension of secured and unsecured financing, the Bank usually obtains 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.

	Three Months Ended March 31,		Years Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(In thousands)						
Total loans at beginning of year	\$ 651,642	\$ 576,611	\$576,611	\$552,259	\$ 571,284	\$ 594,418	\$ 622,359
Loans originated:							
Mortgage loans:							
1-4 family residences							
Investor owned	19,379	9,471	57,167	39,309	34,603	31,508	20,544
Owner occupied	4,374	2,747	14,741	12,555	11,625	23,001	10,171
Multifamily residences	9,030	18,763	51,876	34,048	28,965	21,986	19,955
Nonresidential properties	24,746	2,764	31,408	18,365	15,972	13,850	9,902
Construction and land	15,675	6,850	5,693	3,497	15,485	10,389	13,589
Total mortgage loans	73,204	40,595	160,885	107,774	106,650	100,734	74,161
Nonmortgage loans:							
Business	1,555	414	1,222	7,451	4,540	5,084	1,924
Consumer	67	149	718	692	277	516	782
Total nonmortgage loans	1,622	563	1,940	8,143	4,817	5,600	2,706
Total loans	74,826	41,158	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	—	—	—	—	—	—	—
Loans sold:							
Mortgage loans:							
1-4 family residences	—	—	—	—	—	—	—
Investor owned	—	—	—	—	—	—	—
Owner occupied	—	—	—	—	—	—	(441)
Multifamily residences	—	—	—	—	(850)	—	(991)
Nonresidential properties	—	—	—	—	—	—	—
Construction and land	—	—	—	—	—	—	(1,285)
Total mortgage loans	—	—	—	—	(850)	—	(2,717)
Nonmortgage loans:							
Business	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—	—	—
Total loans	—	—	—	—	(850)	—	(2,717)
Principal repayments and other	(39,305)	(30,493)	(87,794)	(91,565)	(131,342)	(129,468)	(107,525)
Net loan activity	35,521	10,665	75,031	24,352	(19,025)	(23,134)	(27,941)
Total loans at end of year	687,163	587,276	651,642	576,611	552,259	571,284	594,418

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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 March 31, 2017, our internal lending limit to one borrower was \$14.5 million.

At March 31, 2017, our largest relationship was \$13.0 million consisting of one multifamily construction project in Kings County, with an outstanding balance of \$3.7 million. The second largest relationship consists of four loans in total with one located in Queens County, an almost completed residential construction project for \$8.0 million and three non-residential loans located in Nassau County with a balance of \$1.9 million. No other loan or loans to one borrower, individually or cumulatively exceeded \$10.0 million, or 70% of our lending limit.

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, which 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 March 31, 2017 and 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.

March 31, 2017	1-4 family residences -	1-4 family residences -	Multifamily	Nonresidential
	Investor Owned	Owner Occupied	Residences	properties
(In thousands)				
Amounts due in:				
One year or less	\$ 3,107	\$ 2,689	\$ 3,601	\$ 1,794
More than one to five years	12,917	3,270	5,225	10,286
More than five years	221,880	90,126	153,007	128,420
Total	<u>\$ 237,904</u>	<u>\$ 96,085</u>	<u>\$ 161,833</u>	<u>\$ 140,500</u>

March 31, 2017	Construction and Land	Business	Consumer	Total
	(In thousands)			
Amounts due in:				
One year or less	\$ 23,920	\$ 5,901	\$ 125	\$ 41,137
More than one to five years	13,691	6,533	671	52,593
More than five years	—	—	—	593,433
Total	<u>\$ 37,611</u>	<u>\$ 12,434</u>	<u>\$ 796</u>	<u>\$ 687,163</u>

December 31, 2016	1-4 family residences -	1-4 family residences -	Multifamily	Nonresidential
	Investor Owned	Owner Occupied	Residences	properties
(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>

December 31, 2016	Construction and Land	Business	Consumer	Total
	(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 tables set forth our fixed and adjustable-rate loans at March 31, 2017 that are contractually due after March 31, 2018 and at December 31, 2016 that are contractually due after December 31, 2017.

	Due After March 31, 2018		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
1-4 family residences			
Investor Owned	\$ 25,670	\$209,127	\$234,797
Owner Occupied	37,690	55,706	93,396
Multifamily residences	8,913	149,319	158,232
Nonresidential properties	10,802	127,904	138,706
Construction and land	13,691	—	13,691
Total mortgage loans	96,766	542,056	638,822
Nonmortgage loans:			
Business	4,550	1,983	6,533
Consumer	671	—	671
Total nonmortgage loans	5,221	1,983	7,204
Total	\$101,987	\$544,039	\$646,026

	Due After December 31, 2017		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
1-4 family residences			
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	\$127,952	\$481,820	\$609,772

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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 three months ended March 31, 2017 and 2016, we collected \$38,208 and \$58,947, respectively, of interest income on our non-accruing troubled debt restructured loans, of which we recognized \$13,813 and \$9,958, respectively. 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 these periods 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 March 31,			At December 31,					
	2017			2016			2015		
	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									
Investor owned	\$ 2,043	\$ —	\$ 325	\$ 2,716	\$ —	\$ 325	\$ 2,306	\$ 659	\$ 805
Owner occupied	2,904	169	2,495	2,562	557	1,734	1,023	311	1,712
Multifamily residences	1,567	—	—	819	—	—	84	—	—
Nonresidential properties	1,244	—	1,994	41	—	1,994	680	55	859
Construction and land	133	—	—	—	—	—	—	—	—
Nonmortgage Loans:									
Business	38	—	12	25	—	22	—	—	—
Consumer	—	—	—	—	—	—	—	—	—
Total	\$ 7,929	\$ 169	\$ 4,826	\$ 6,163	\$ 557	\$ 4,075	\$ 4,093	\$ 1,025	\$ 3,376

	At December 31,								
	2014			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	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
(In thousands)									
Mortgages:									
1-4 Family									
Investor owned	\$ 1,413	\$ 320	\$ 1,107	\$ 6,179	\$ 232	\$ 6,887	\$11,024	\$ 2,637	\$13,470
Owner occupied	1,477	607	2,183	2,569	703	3,830	7,966	1,736	7,548
Multifamily residences	8	—	2,956	1,466	—	971	2,002	3,100	1,941
Nonresidential properties	1,783	957	176	2,381	789	1,604	6,464	2,236	4,040
Construction and land	2,228	—	1,280	4,774	1,243	2,207	337	2,009	3,578
Nonmortgage Loans:									
Business	195	—	600	1,741	679	—	2,261	1,837	5,026
Consumer	2	—	—	15	18	—	51	8	3
Total	\$ 7,106	\$ 1,884	\$ 8,302	\$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 \$2.6 million at March 31, 2017 and \$2.7 million, \$4.5 million, \$9.0 million, 24.3 million and \$22.1 million at December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

	At March 31,	At December 31,				
	2017	2016	2015	2014	2013	2012
(Dollars in thousands)						
Nonaccrual loans:						
Mortgage loans:						
1-4 family residences						
Investor owned	\$ 573	\$ 809	\$ 1,635	\$ 2,721	\$ 7,365	\$12,504
Owner occupied	1,723	1,463	1,078	1,036	4,983	6,762
Multifamily residences	—	—	—	2,957	4,040	4,320
Nonresidential properties	1,606	1,614	1,660	72	1,579	3,232
Construction and land	1,142	1,145	637	259	3,019	7,143
Nonmortgage loans:						
Business	12	22	13	14	236	1,686
Consumer	—	—	—	—	29	40
Total nonaccrual loans (not including nonaccruing troubled debt restructured loans)	5,056	5,053	5,023	7,059	21,251	35,687
Nonaccruing troubled debt restructured loans:						
Mortgage loans:						
1-4 family residences						
Investor owned	1,214	1,240	2,599	4,585	10,059	7,666
Owner occupied	636	646	1,055	1,923	7,471	7,534
Multifamily residences	—	—	—	—	396	450
Nonresidential properties	780	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	2,630	2,669	4,482	9,014	24,335	22,136
Total nonaccrual loans	7,686	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	\$ 7,686	\$ 7,722	\$ 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						
Investor owned	6,385	6,422	6,579	5,179	2,371	4,134
Owner occupied	7,232	7,271	8,326	9,661	2,476	2,209
Multifamily residences	—	—	—	—	—	—
Nonresidential properties	4,036	4,066	4,186	3,590	2,262	1,256
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	546	593	814	970	—	—

Consumer	—	—	—	—	—	—
Total accruing troubled debt restructured loans	<u>\$ 18,199</u>	<u>\$18,352</u>	<u>\$19,905</u>	<u>\$19,400</u>	<u>\$ 7,109</u>	<u>\$ 7,599</u>
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans	\$ 25,885	\$26,074	\$29,486	\$37,618	\$54,775	\$70,432
Total nonperforming loans to total loans	1.12%	1.19%	1.65%	2.91%	7.98%	9.73%
Total nonperforming assets to total assets	0.98%	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	3.29%	3.50%	4.19%	5.33%	7.50%	9.25%

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For the periods ended March 31, 2017 and December 31, 2016 and 2015, we collected \$65,000, \$315,000 and \$597,000, respectively, of interest income on our non-accruing loans, of which we recognized \$21,000, \$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 March 31, 2017	At December 31,				2012
	2016	2015	2014	2013		
	(In Thousands)					
Classified Loans:						
Substandard	\$ 19,360	\$19,225	\$17,786	\$18,862	\$53,690	\$71,197
Doubtful	—	—	—	—	—	1,252
Loss	—	—	—	—	—	—
Total classified loans	19,360	19,225	17,786	18,862	53,690	72,449
Special mention loans	4,649	2,549	6,469	10,501	22,134	1,367
Total classified and special mention loans	\$ 24,009	\$21,774	\$24,255	\$29,363	\$75,824	\$73,816

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 March 31, 2017, we had 57 loans totaling \$23.0 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 47 loans, totaling \$18.2 million, had been performing in accordance with their modified terms for a minimum of six months since the date of restructuring.

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 be 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. 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 periods indicated.

	Three Months Ended March 31,		Years Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(Dollars in thousands)						
Allowance at beginning of year	\$ 10,205	\$ 9,484	\$ 9,484	\$ 9,449	\$ 9,940	\$ 10,056	\$ 7,872
Provision (recovery) for loan losses	52	(547)	(57)	353	1,184	3,426	5,132
Charge offs:							
Mortgage loans:							
1-4 family residences							
Investor owned	—	—	(38)	(142)	(494)	(1,042)	(376)
Owner occupied	—	—	—	(140)	(207)	(491)	(128)
Multifamily residences	—	—	(3)	(257)	(252)	(254)	(26)
Nonresidential properties	—	—	—	(19)	(268)	(184)	—
Construction and land	—	(85)	(85)	(77)	(32)	(434)	(467)
Nonmortgage loans:							
Business	(10)	—	—	—	(945)	(1,440)	(1,954)
Consumer	—	—	(13)	(8)	(19)	(18)	(56)
Total chargeoffs	(10)	(85)	(139)	(643)	(2,217)	(3,863)	(3,007)
Recoveries:							
Mortgage loans:							
1-4 family residences							
Investor owned	5	3	18	53	198	4	2
Owner occupied	1	134	142	10	37	—	—
Multifamily residences	1	—	1	—	61	32	11
Nonresidential properties	2	2	9	31	10	—	6
Construction and land	—	—	5	—	—	133	—
Nonmortgage loans:							
Business	113	470	733	224	231	147	34
Consumer	1	1	9	7	5	5	6
Total recoveries	123	610	917	325	542	321	59
Net (chargeoffs) recoveries	113	525	778	(318)	(1,675)	(3,542)	(2,948)
Allowance at end of year	<u>\$ 10,370</u>	<u>\$ 9,462</u>	<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 for nonperforming loans	134.92%	117.15%	132.15%	99.78%	58.79%	21.80%	17.39%
Allowance for loan losses as a percentage of total loans	1.51%	1.61%	1.57%	1.64%	1.71%	1.74%	1.69%
Net (chargeoffs) recoveries to average loans outstanding during the year	0.02%	0.09%	0.13%	(0.06%)	(0.30%)	(0.61%)	(0.48%)

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Allocation of Allowance for Loan Losses. The following table sets 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.

	At March 31, 2017			At December 31,					
				2016			2015		
	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									
Investor owned	\$ 3,181	31.58%	34.62%	\$ 3,146	30.83%	34.90%	\$ 2,843	29.98%	35.25%
Owner occupied	1,729	17.16%	13.98%	1,805	17.69%	14.98%	2,126	22.42%	18.39%
Multifamily residences	2,800	27.79%	23.55%	2,705	26.51%	24.28%	1,994	21.02%	21.30%
Nonresidential properties	1,568	15.56%	20.45%	1,320	12.93%	18.64%	1,298	13.69%	18.46%
Construction and land	672	6.67%	5.47%	615	6.03%	4.66%	502	5.29%	3.97%
Total mortgage loans	9,950	98.77%	98.07%	9,591	93.98%	97.46%	8,763	92.40%	97.37%
Nonmortgage loans:									
Business	115	1.14%	1.81%	597	5.85%	2.41%	709	7.48%	2.49%
Consumer	9	0.09%	0.12%	17	0.17%	0.13%	12	0.13%	0.14%
Total nonmortgage loans	124	1.23%	1.93%	614	6.02%	2.54%	721	7.60%	2.63%
Total allocated allowance	10,074	100.00%	100.00%	10,205	100.00%	100.00%	9,484	100.00%	100.00%
Unallocated	296			—			—		
Total	\$ 10,370			\$ 10,205			\$ 9,484		

	At December 31,								
	2014			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	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									
Investor owned	\$ 2,727	28.86%	34.54%	\$ 2,978	29.96%	34.27%	\$ 3,426	34.07%	34.99%
Owner occupied	2,277	24.10%	19.05%	2,035	20.47%	19.47%	1,295	12.88%	17.68%
Multifamily residences	1,669	17.66%	20.10%	1,538	15.47%	18.82%	963	9.58%	18.16%
Nonresidential properties	1,529	16.18%	20.24%	1,321	13.29%	19.19%	974	9.69%	19.45%
Construction and land	504	5.33%	3.39%	656	6.60%	4.48%	656	6.52%	5.00%
Total mortgage loans	8,706	92.14%	97.32%	8,528	85.79%	96.23%	7,314	72.73%	95.28%
Nonmortgage loans:									
Business	732	7.75%	2.57%	1,394	14.02%	3.56%	2,703	26.88%	4.47%
Consumer	11	0.12%	0.11%	18	0.18%	0.21%	39	0.39%	0.25%
Total nonmortgage loans	743	7.86%	2.68%	1,412	14.21%	3.77%	2,742	27.27%	4.72%
Total allocated allowance	9,449	100.00%	100.00%	9,940	100.00%	100.00%	10,056	100.00%	100.00%
Unallocated	—			—			—		
Total	\$ 9,449			\$ 9,940			\$ 10,056		

At March 31, 2017, our allowance for loan losses represented 1.51% of total loans and 134.92% of nonperforming loans. The allowance for loan losses increased to \$10.4 million at March 31, 2017 from \$10.2 million at December 31, 2016. There were \$113,000 and \$525,000 in net loan recoveries during the three months ended March 31, 2017 and March 31, 2016, respectively.

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 \$778,000 in net loan recoveries and \$318,000 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 March 31, 2017 and 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 March 31, 2017 and December 31, 2016, we owned \$2.1 million and \$1.0 million, respectively, 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 March 31, 2017		2016		2015		At December 31, 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	Amortized Cost	Estimated Fair Value
	(In thousands)											
U.S. Government and Federal Agencies	\$ 41,907	\$ 41,484	\$ 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	500	500	—	—	—	—	—	—	—	—
Mortgage-Backed Securities												
FHLMC Certificates	190	213	192	216	202	222	212	234	222	238	332	355
FNMA Certificates	3,374	3,365	3,600	3,606	4,411	4,432	5,732	5,872	6,536	6,548	872	948
GNMA Certificates	6,310	6,375	6,744	6,809	6,084	6,214	7,211	7,380	8,668	8,857	11,158	11,496
Total	<u>\$ 52,281</u>	<u>\$ 51,937</u>	<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 March 31, 2017 and 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 March 31, 2017 and December 31, 2016, we had mortgage-backed securities with a carrying value of \$10.0 million and \$10.6 million, respectively. 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 March 31, 2017, 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
(Dollar in thousands)											
U.S. Government and Federal Agencies	\$ 2,000	0.652%	\$ 39,907	1.293%	\$ —	—	\$ —	—	\$ 41,907	\$41,484	1.262%
Certificates of Deposit	500	0.700%	—	—	—	—	—	—	500	500	0.700%
Mortgage-Backed Securities											
FHLMC Certificates	—	—	—	—	—	—	190	6.122%	190	213	6.122%
FNMA Certificates	—	—	19	4.536%	1,422	1.829%	1,933	2.559%	3,374	3,365	2.262%
GNMA Certificates	—	—	—	—	—	—	6,310	2.091%	6,310	6,375	2.091%
Total	\$ 2,500	0.662%	\$ 39,926	1.294%	\$ 1,422	1.829%	\$ 8,433	2.131%	\$ 52,281	\$51,937	1.418%

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. At March 31, 2017, the amount available to the Bank to borrow from the Federal Home Loan Bank of New York was \$114.4 million. 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 for the periods indicated.

	For the Three Months Ended			For the Years Ended December 31,								
	March 31, 2017			2016			2015			2014		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
(Dollars in thousands)												
Deposit type:												
Savings	\$128,859	20.06%	0.38%	\$126,573	20.32%	0.26%	\$122,538	20.50%	0.20%	\$127,200	20.79%	0.19%
Interest-bearing demand	71,043	11.06%	0.15%	54,493	8.75%	0.18%	46,692	7.81%	0.16%	44,546	7.28%	0.13%
Certificates of deposit	<u>362,470</u>	<u>56.42%</u>	1.47%	<u>371,313</u>	<u>59.62%</u>	1.48%	<u>366,958</u>	<u>61.40%</u>	1.44%	<u>379,860</u>	<u>62.07%</u>	1.42%
Interest-bearing deposits	562,372	87.54%	1.06%	552,379	88.69%	1.07%	536,188	89.71%	1.04%	551,606	90.14%	1.03%
Non-interest bearing demand	80,066	12.46%	—	70,407	11.31%	—	61,524	10.29%	—	60,318	9.86%	—
Total deposits	<u>\$642,438</u>	<u>100.00%</u>	0.92%	<u>\$622,786</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%

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

	At or For the Three Months Ended March 31,		At or For the Years Ended December 31,		
	2017	2016	2016	2015	2014
(In thousands)					
Beginning balance	\$ 643,078	\$ 599,506	\$599,506	\$599,697	\$627,060
Net deposits (withdrawals) before interest credited	11,339	19,764	38,070	(5,459)	(32,739)
Interest credited	<u>1,465</u>	<u>1,425</u>	<u>5,502</u>	<u>5,268</u>	<u>5,376</u>
Net increase (decrease) in deposits	12,804	21,189	43,572	(191)	(27,363)
Ending balance	<u>\$ 655,882</u>	<u>\$ 620,695</u>	<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 March 31,	At December 31,		
	2017	2016	2015	2014
(In thousands)				
0.05% - 0.99%	\$ 53,327	\$ 58,874	\$ 86,624	\$127,612
1.00% - 1.49%	143,269	144,193	131,065	105,358
1.50% - 1.99%	71,129	66,455	56,453	47,856
2.00% - 2.49%	92,845	94,394	62,224	39,412
2.50% - 2.99%	4,837	4,805	26,222	38,184
3.00% and greater	—	—	1,297	12,495
Total	<u>\$ 365,407</u>	<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 March 31, 2017.

	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%	\$ 53,275	\$ 52	\$ —	\$ —	\$ 53,327	14.59%
1.00% - 1.49%	76,280	59,232	7,242	515	143,269	39.21%
1.50% - 1.99%	23,311	13,722	12,285	21,811	71,129	19.47%
2.00% - 2.49%	4,853	9,345	15,050	63,597	92,845	25.41%
2.50% - 2.99%	—	1,355	211	3,271	4,837	1.32%
Total	\$ 157,719	\$ 83,706	\$ 34,788	\$89,194	\$365,407	100.00%

At March 31, 2017, the aggregate amount of all our certificates of deposit in amounts greater than or equal to \$100,000 was approximately \$232.2 million. The following table sets forth the maturity of these certificates as of March 31, 2017.

Maturity Period:	At March 31, 2017
	(In thousands)
Three months or less	\$ 30,894
Over three months through six months	18,638
Over six months through one year	44,592
Over one year to three years	76,701
Over three years	61,369
Total	\$ 232,194

At March 31, 2017, certificates of deposit equal to or greater than \$250,000 totaled \$85.5 million of which \$33.2 million matures on or before March 31, 2018.

At March 31, 2017, our passbook savings accounts and certificates of deposit with a passbook feature totaled \$230.7 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 March 31, 2017 and December 31, 2016 we had \$28.0 million and \$3.0 million, respectively, outstanding of Federal Home Loan Bank of New York advances.

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

	Months Ended March 31,		At or For the Year December 31,		
	2017	2016	2016	2015	2014
	(Dollars in Thousands)				
FHLB Advances:					
Balance outstanding at end of period	\$28,000	\$ —	\$ 3,000	\$ 8,000	\$10,000
Average amount outstanding during the period	12,955	4,066	1,145	15,050	9,129
Maximum outstanding at any month end during the period	31,000	12,000	12,000	24,000	18,000
Weighted average interest rate during the period	0.91%	0.69%	0.61%	0.41%	0.47%
Weighted average interest rate at the end of the period	1.04%	0.00%	0.78%	0.56%	0.45%

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As of March 31, 2017, the net book value of our office properties was \$24.3 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 (In thousands)</u>
Main Office:			
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 6,505
Other Properties:			
980 Southern Blvd. Bronx, NY 10459	Leased	Pre 1990	\$ 1,254
37-60 82nd Street Jackson Heights, NY 11372	Owned	2006	\$ 8,631
30 East 170th Street Bronx, NY 10452	Owned	1987	\$ 129
169-174 Smith Street Brooklyn, NY 11201	Owned	1988	\$ 45
1925 Third Avenue New York, NY 1996	Leased	1996	\$ 16
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 587
5560 Broadway Bronx, NY 10463	Owned	1998	\$ 1,127
3405-3407 Broadway Astoria, NY 11106	Leased	2001	\$ 0
3821 Bergenline Avenue Union City, NJ 07087	Owned	2001	\$ 1,799
1900-1960 Ralph Avenue Brooklyn, NY 11234	Leased	2007	\$ 346
20-47 86th Street Brooklyn, NY 11214	Owned	2010	\$ 1,966
100-20 Queens Blvd Forest Hills, NY 11375	Leased	2010	\$ 677
319 First Avenue New York, NY 10003	Leased	2010	\$ 1,200

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Infrastructure improvements are currently underway as one branch (at 86th Street in Brooklyn) is being completely renovated, while another branch (at 3rd Avenue in Manhattan) is scheduled to also undergo complete renovation this year. The remaining branches will also undergo renovations and upgrades, though in some cases, less substantial. As part of these improvements, the Bank intends to upgrade its ATM network and related service technologies.

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 March 31, 2017, 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

At March 31, 2017, we had 177 full-time equivalent employees. 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 three months ended March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, 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. 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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, 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 expects to contribute \$50,000 for the year ended December 31, 2016 prior to the end of 2017. 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 accrued 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. We intend to terminate the Pension Plan at some point subsequent to the completion of the reorganization and offering, although the exact timing of such termination is uncertain. The exact timing of the termination of the Pension Plan will depend on, among various factors, our post-conversion capital levels and needs, our evaluation of future interest rates and annuity cost trends, and the estimated cost to terminate the plan, as they may change from time to time. 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 approximately \$15.0 million in assets. We currently estimate that the aggregate value of termination benefits under the Pension Plan will be \$16.7 million to \$18.3 million. In connection with the termination and as a condition of Pension Benefit Guaranty Corporation approval, we will agree to contribute to the Pension Plan an amount equal to the value of termination benefits required 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; however, the actual amount of any contribution could be higher or lower since the actual value of the aggregate termination benefits is dependent, among other things, on the then value of the Pension Plan's assets and interest rates at the effective date of the termination of the Pension Plan.

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 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	1,000	\$ 10,000	*
All directors and executive officers as a group (13) persons	<u>284,800</u>	<u>\$2,848,000</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 shares of common stock sold to the public.

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 \$115,000, 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 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 7.0% 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 7.0% 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 May 5, 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 three months ended March 31, 2017 and 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. You may also meet in person with a representative of Raymond James & Associates, Inc., who is assisting us with the offering, by visiting the Bank’s administrative office located at 2244 Westchester Avenue, Bronx, NY, between the hours of [times and days of availability TBD].

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 Crowe Horwath LLP, 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, Crowe Horwath LLP 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. Crowe Horwath LLP also noted that the Internal Revenue Service has not in the past concluded that subscription rights have value. Based on the foregoing, Crowe Horwath LLP 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 federal income tax consequences and 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 & Tiernan 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, L.C. 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
March 31, 2017 (Unaudited) and December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)**

	March 31, 2017 (Unaudited)	December 31, 2016 2015	
ASSETS			
Cash and due from banks (Note 2):			
Cash	\$ 4,557	\$ 4,796	\$ 5,435
Interest-bearing deposits in banks	<u>11,947</u>	<u>6,920</u>	<u>7,259</u>
Total cash and cash equivalents	16,504	11,716	12,694
Available-for-sale securities, at fair value (Note 3)	51,937	52,690	82,034
Loans held for sale	2,143	2,143	3,303
Loans receivable, net of allowance for loan losses - 2017 \$10,370; 2016 \$10,205; 2015 \$9,484 (Note 4)	677,525	642,148	567,662
Accrued interest receivable	2,749	2,707	2,668
Other real estate owned	—	—	76
Bank premises and equipment, net (Note 5)	25,687	26,028	27,177
Federal Home Loan Bank Stock (FHLB), at cost	2,089	964	1,162
Deferred tax assets (Note 8)	3,378	3,379	3,765
Core deposit intangible, net	3	3	132
Other assets	<u>4,238</u>	<u>3,205</u>	<u>2,484</u>
Total assets	<u>\$ 786,253</u>	<u>\$744,983</u>	<u>\$703,157</u>
LIABILITIES AND CAPITAL ACCOUNTS			
Liabilities:			
Deposits (Note 6)	\$ 655,882	\$643,078	\$599,506
Accrued interest payable	26	28	36
Advance payments by borrowers for taxes and insurance	5,670	3,882	2,600
Advances from the Federal Home Loan Bank (Note 7)	28,000	3,000	8,000
Other liabilities	<u>3,201</u>	<u>2,003</u>	<u>1,953</u>
Total liabilities	<u>692,779</u>	<u>651,991</u>	<u>612,095</u>
Commitments and contingencies (Note 10)			
Capital accounts:			
Retained earnings	<u>99,805</u>	<u>99,242</u>	<u>97,817</u>
Accumulated other comprehensive loss (Note 13):			
Net unrealized loss on available-for-sale securities, net of taxes	(227)	(166)	(370)
Defined benefit pension liabilities, net of taxes (Note 9)	<u>(6,104)</u>	<u>(6,084)</u>	<u>(6,385)</u>
	<u>(6,331)</u>	<u>(6,250)</u>	<u>(6,755)</u>
Total capital accounts	<u>93,474</u>	<u>92,992</u>	<u>91,062</u>
Total liabilities and capital accounts	<u>\$ 786,253</u>	<u>\$744,983</u>	<u>\$703,157</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 Income

Three Months Ended March 31, 2017 and 2016 (Unaudited) and Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)

	For the Three Months Ended March 31, (Unaudited)		For the Years Ended December 31,	
	2017	2016	2016	2015
Interest and dividend income:				
Interest on loans receivable	\$ 8,592	\$ 8,279	\$32,660	\$32,100
Interest and dividends on investment securities and FHLB stock	202	321	1,081	1,490
Total interest and dividend income	8,794	8,600	33,741	33,590
Interest expense:				
Interest on certificates of deposit	1,316	1,336	5,502	5,268
Interest on other deposits	151	91	427	321
Interest on borrowings	29	7	7	61
Total interest expense	1,496	1,434	5,936	5,650
Net interest income	7,298	7,166	27,805	27,940
Provision for loan losses (recovery) (Note 4)	52	(547)	(57)	353
Net interest income after provision for loan losses (recovery)	7,246	7,713	27,862	27,587
Noninterest income:				
Service charges and fees	229	238	938	1,073
Brokerage commissions	118	179	515	421
Late and prepayment charges	211	66	302	548
Other	200	58	676	420
Total noninterest income	758	541	2,431	2,462
Noninterest expense:				
Compensation and benefits	3,829	3,664	14,979	13,463
Occupancy expense	1,425	1,408	5,651	5,754
Data processing expenses	448	370	1,617	1,299
Direct loan expenses	195	254	860	725
Insurance and surety bond premiums	82	137	464	699
Office supplies, telephone and postage	254	261	1,071	997
FDIC deposit insurance assessment	66	225	538	899
Other operating expenses	797	637	2,683	2,380
Total noninterest expense	7,096	6,956	27,863	26,216
Income before income taxes	908	1,298	2,430	3,833
Provision for income taxes (Note 8)	345	490	1,005	1,315
Net income	\$ 563	\$ 808	\$ 1,425	\$ 2,518

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 Comprehensive Income****Three Months Ended March 31, 2017 and 2016 (Unaudited) and
Years Ended December 31, 2016 and 2015**

(In thousands of US dollars unless otherwise stated)

	For the Three Months Ended March 31, (Unaudited)		For the Years Ended December 31,	
	2017	2016	2016	2015
Net income	\$ 563	\$ 808	\$ 1,425	\$ 2,518
Other comprehensive loss:				
Net change in unrealized gains (losses) on securities available-for-sale:				
Unrealized gains (losses)	(91)	545	309	847
Income tax effect	30	(185)	(105)	(372)
Unrealized (losses) gains on securities, net	(61)	360	204	475
Pension benefit liability adjustment:				
Net gain (loss) during the period	(31)	—	456	(1,829)
Reclassification adjustment for amortization of prior service cost and net gain included in net periodic pension cost	—	—	—	245
Income tax effect	11	—	(155)	53
Pension (liability) benefit adjustment, net of tax	(20)	—	301	(1,531)
Other comprehensive (loss) income, net of tax	(81)	360	505	(1,056)
Total comprehensive income	\$ 482	\$ 1,168	\$ 1,930	\$ 1,462

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 Changes in Capital Accounts****Three Months Ended March 31, 2017 (Unaudited) and Years
Ended December 31, 2016 and 2015**
(In thousands of US dollars unless otherwise stated)

	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance, December 31, 2014	\$95,299	\$ (5,699)	\$89,600
Net income	2,518	—	2,518
Other comprehensive loss, net of tax	<u>—</u>	<u>(1,056)</u>	<u>(1,056)</u>
Balance, December 31, 2015	97,817	(6,755)	91,062
Net income	1,425	—	1,425
Other comprehensive income, net of tax	<u>—</u>	<u>505</u>	<u>505</u>
Balance, December 31, 2016	\$99,242	\$ (6,250)	\$92,992
Net income	563	—	563
Other comprehensive (loss), net of tax	<u>—</u>	<u>(81)</u>	<u>(81)</u>
Balance, March 31, 2017 (Unaudited)	<u>\$99,805</u>	<u>\$ (6,331)</u>	<u>\$93,474</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
Three Months Ended March 31, 2017 and 2016 (Unaudited) and
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)**

	Three Months Ended March 31, (Unaudited)		Years Ended December 31,	
	2017	2016	2016	2015
Cash Flows From Operating Activities:				
Net income	\$ 563	\$ 808	\$ 1,425	\$ 2,518
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of premiums on securities,net	7	1	11	6
Loss on sale of loans	—	200	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)	(4)	—
Provision for (recovery from) loan losses	52	(547)	(57)	353
Depreciation and amortization	404	423	1,679	1,817
Amortization of core deposit intangible assets	—	36	129	144
Deferred income taxes	43	165	126	1,086
Changes in assets and liabilities:				
(Increase) decrease in accrued interest receivable	(42)	(114)	(39)	81
(Increase) decrease in other assets	(1,036)	(499)	175	3,168
Decrease in accrued interest payable	(2)	(1)	(8)	(10)
Net increase (decrease) in other liabilities	2,956	3,343	893	(4,101)
Net cash provided by operating activities	2,945	3,811	4,343	5,230
Cash Flows From Investing Activities:				
Net (increase) decrease in investments in FHLB Stock	(1,123)	360	198	105
Purchases of available-for-sale securities	—	—	(25,914)	—
Proceeds from maturities, calls and principal repayments on available-for-sale securities	655	4,487	55,556	19,381
Proceeds from sales of loans	—	1,669	4,386	3,981
Net increase in loans	(35,430)	(11,305)	(77,669)	(29,385)
Proceeds from sale of other real estate owned	—	80	80	—
Purchases of premises and equipment	(63)	(53)	(530)	(276)
Net cash used in investing activities	(35,961)	(4,762)	(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
Three Months Ended March 31, 2017 and 2016 (Unaudited) and
Years Ended December 31, 2016 and 2015
(In thousands of US dollars unless otherwise stated)**

	Three Months Ended March 31, (Unaudited)		Years Ended December 31,	
	2017	2016	2016	2015
Cash Flows From Financing Activities:				
Net increase (decrease) in deposits	\$ 12,804	\$ 21,189	\$ 43,572	\$ (191)
Net increase (decrease) in FHLB advances	25,000	(8,000)	(5,000)	(2,000)
Net cash provided by (used in) financing activities	37,804	13,189	38,572	(2,191)
Net decrease in cash and cash equivalents	4,788	12,238	(978)	(3,155)
Cash and Cash Equivalents:				
Beginning	11,716	12,694	12,694	15,849
Ending	\$ 16,504	\$ 24,932	\$ 11,716	\$ 12,694
Supplemental Disclosures:				
Cash paid during the year:				
Interest	\$ 1,498	\$ 1,434	\$ 5,944	\$ 5,660
Income taxes	\$ 77	\$ 55	\$ 1,280	\$ 1,598
Supplemental Disclosures of Noncash Investing Activities:				
Transfer of loans and loans held for sale to other real estate owned	\$ —	\$ —	\$ —	\$ —
Transfer of loans to loans held for sale	\$ —	\$ 1,171	\$ 3,239	\$ 6,526
Transfer of loans held for sale to loans	\$ —	\$ —	\$ —	\$ 1,867

The accompanying notes are an integral part of the consolidated financial statements.

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Notes to Consolidated Financial Statements

As of March 31, 2017 (Unaudited) and December 31, 2016 and 2015, and Three Months Ended March 31, 2017 and 2016 (Unaudited) and 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.

Interim Financial Statements: The interim financial statements at March 31, 2017, and for the three months ended March 31, 2017 and 2016 are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2017, are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2017, or any other period.

Principles of Consolidation: The consolidated financial statements include the accounts of the 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.

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(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

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.

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 is 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

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(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

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 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. As of March 31, 2017, the Bank determines the historical loss experience by portfolio segment and it is based on the actual loss experienced by the Bank over a 12 month rolling quarter period. 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.

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As of March 31, 2017 (Unaudited) and December 31, 2016 and 2015, and Three Months Ended March 31, 2017 and 2016 (Unaudited) and 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)

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 with loan-to-value ratios ranging from 65% to 90%. The primary 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 commercial buildings, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, restaurants and nursing homes. These loans are typically underwritten at no more than 75% loan-to-value ratio. Although terms vary, commercial real estate loans generally have loan terms of 15 to 30 years, as well as balloon payments of 10 to 15 years, and terms which provide that the interest rate is adjusted on a 5 year schedule.

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 to seven 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 losses. 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

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(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

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 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 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:

	<u>Years</u>
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

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(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

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 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.

As of March 31, 2017, 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, which was effectively frozen on May 31, 2007. 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.

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(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

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 any such matters that will have a material effect on the operations and financial position of the Bank.

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.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-01, “*Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*”. The main objective in developing this new ASU is to enhance the reporting model for financial instruments to provide users of financial statements with more useful information. The update requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. It simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The amendment eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. It requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Financial assets and financial liabilities are to be presented separately by measurement category and form of financial asset and the need for a valuation allowance on a deferred tax asset related to available-for-sale securities should be evaluated with the entity’s other deferred tax assets. The amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, for public business entities. As the Bank will take advantage of the extended transition period for complying with new or revised accounting standards assuming we remain an emerging growth company (“EGC”), we will adopt the amendments in this update beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Bank expects to apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the year of adoption through an adjustment to retained earnings. The adoption of this update is not expected to have a material impact on the Bank’s consolidated financial statements.

Ponce De Leon Federal Bank and Subsidiaries

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(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*." This ASU requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. The guidance is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period, for public business entities. As the Bank will take advantage of the extended transition period for complying with new or revised accounting standards assuming we remain an EGC, we will adopt the amendments in this update beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. A modified retrospective approach must be applied for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements.

The Bank has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. To date, the Bank has identified its leased office space as within the scope of the guidance. The Bank continues to evaluate the impact of the guidance, including determining whether other contracts exist that are deemed to be in scope. As such, no conclusions have yet been reached regarding the potential impact of adoption on the Bank's consolidated financial statements. Further, to date, no guidance has been issued by the Bank's primary regulator with respect to how the impact of the amended standard is to be treated for regulatory capital purposes.

In March 2016, the FASB issued ASU 2016-09, "*Compensation - Stock Compensation (Topic 718)*." The objective of the Update is to simplify accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the update, all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) should be recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. An entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current accounting) or account for forfeitures when they occur. Within the Cash Flow Statement, excess tax benefits should be classified along with other income tax cash flows as an operating activity, and cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity. The amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, for public business entities. As the Bank will take advantage of the extended transition period for complying with new or revised accounting standards assuming we remain an EGC, we will adopt the amendments in this update beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Bank expects to apply the amendments in this update by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted, or prospectively, as applicable. The adoption of this update is not expected to have a material impact on the Bank's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments*." This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes, but is not limited to, loans, leases, held-to-maturity securities, loan commitments, and financial guarantees. The CECL model does not apply to available-for-sale ("AFS") debt securities. For AFS debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as

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(In thousands of US dollars unless otherwise stated)

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

allowances rather than reductions in the amortized cost of the securities. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU No. 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, for public business entities. As the Bank will take advantage of the extended transition period for complying with new or revised accounting standards assuming we remain an EGC, we will adopt the amendments in this update beginning after December 15, 2020, including interim periods within those fiscal years. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The Bank is currently evaluating the provisions of ASU No. 2016-13 to determine the potential impact the new standard will have on the Bank's consolidated financial statements.

While early adoption is permitted, the Bank does not expect to elect that option. The Bank has begun its evaluation of the amended guidance including the potential impact on its consolidated financial statements. As a result of the required change in approach toward determining estimated credit losses from the current "incurred loss" model to one based on estimated cash flows over a loan's contractual life, adjusted for prepayments (a "life of loan" model), the Bank expects that the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration loan portfolios. The Bank also expects that the new guidance may result in an allowance for debt securities. In both cases, the extent of the change is indeterminable at this time as it will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time. Further, to date, no guidance has been issued by the Bank's primary regulator with respect to how the impact of the amended standard is to be treated for regulatory purposes.

In August 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments.*" This ASU is intended to reduce diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, for public business entities. As the Bank will take advantage of the extended transition period for complying with new or revised accounting standards assuming we remain an EGC, we will adopt the amendments in this update beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. A retrospective transition method should be applied to each period presented, unless it is impracticable to apply the amendments retrospectively for some of the issues, then the amendments for those issues would be applied prospectively as of the earliest date practicable. The adoption of this update is not expected to have a material impact on the Bank's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*", that amended guidance on revenue recognition from contracts with customers. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most contract revenue recognition guidance, including industry-specific guidance. The core principle of the amended guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amended guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, for public business entities. As the Bank will take advantage of the extended transition period for complying with

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Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

new or revised accounting standards assuming we remain an EGC, we will adopt the amendments in this update in our annual period beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Bank expects to apply the amendments in this update by means of a cumulative-effect adjustment as of the beginning of the period in which the guidance is adopted. The Bank is in its preliminary stages of evaluating the impact of these amendments, although it does not expect the amendments to have a significant impact to the Bank's financial position or results of operations. The amendments could potentially impact accounting procedures and processes over the recognition of certain revenue sources, including, but not limited to, non-interest income. The Bank is expecting to begin developing processes and procedures during 2017 to ensure it is fully compliant with these amendments at the date of adoption. The adoption of this update is not expected to have a material impact on the Bank's consolidated financial statements.

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 \$4,398 in cash to cover its minimum reserve requirement of \$2,515 at March 31, 2017, and \$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.

Note 3. Available-for-Sale Securities

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities at March 31, 2017 and December 31, 2016 and 2015 are summarized as follows:

	March 31, 2017			Fair Value
	(Unaudited)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Government and Federal Agencies	\$ 41,907	\$ —	\$ (423)	\$ 41,484
Certificates of Deposit	500	—	—	500
Mortgage-Backed Securities:				
FHLMC Certificates	190	23	—	213
FNMA Certificates	3,374	9	(18)	3,365
GNMA Certificates	6,310	88	(23)	6,375
	<u>\$ 52,281</u>	<u>\$ 120</u>	<u>\$ (464)</u>	<u>\$ 51,937</u>

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	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			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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 March 31, 2017, December 31, 2016 and 2015. There were no sales of investment securities in the three months ended March 31, 2017 and for the years ended December 31, 2016 or 2015.

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(In thousands of US dollars unless otherwise stated)

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 March 31, 2017 and at December 31, 2016 and 2015:

	March 31, 2017 (Unaudited)					
	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	\$ 41,484	\$ (423)	\$ —	\$ —	\$41,484	\$ (423)
Mortgage-Backed						
FHLMC Certificates	—	—	—	—	—	—
FNMA Certificates	3,255	(18)	—	—	3,255	(18)
GNMA Certificates	2,464	(23)	—	—	2,464	(23)
	<u>\$ 47,203</u>	<u>\$ (464)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$47,203</u>	<u>\$ (464)</u>
	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>

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The Bank's investment portfolio had 52 investment securities at March 31, 2017 and 52 and 63 investment securities at December 31, 2016 and 2015, respectively. Management believes that the unrealized losses on 25 of its investment securities at March 31, 2017, and 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 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 March 31, 2017 and 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.

	March 31, 2017 (Unaudited)	
	Available-for-Sale	
	Amortized	
	Cost	Fair Value
U.S. Government and Federal Agency Securities:		
Amounts maturing:		
Three months or less	\$ 1,000	\$ 1,000
After three months through one year	1,000	999
After one year through five years	39,907	39,485
	<u>41,907</u>	<u>41,484</u>
Certificates of Deposit		
Three months or less	500	500
Mortgage-Backed Securities	<u>9,874</u>	<u>9,953</u>
Total	<u>\$ 52,281</u>	<u>\$ 51,937</u>
	December 31, 2016	
	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	39,906	39,561
After ten years	—	—
	<u>41,906</u>	<u>41,559</u>
Certificates of Deposit		
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>

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Note 3. Available-for-Sale Securities (Continued)

There were no securities pledged at March 31, 2017, December 31, 2016 and December 31, 2015.

Note 4. Loans Receivable and Allowance for Loan Losses

Loans at March 31, 2017 and December 31, 2016 and 2015 are summarized as follows:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2016</u> <u>2015</u>	
Mortgage loans:			
1-4 family residences	\$ 333,989	\$325,040	\$309,292
Multifamily residences	161,833	158,200	122,836
Nonresidential properties	140,501	121,500	106,462
Construction and land	37,610	30,340	22,883
Nonmortgage loans:			
Business loans	12,434	15,719	14,350
Consumer loans	796	843	788
	<u>687,163</u>	<u>651,642</u>	<u>576,611</u>
Net deferred loan origination costs	732	711	535
Allowance for losses on loans	<u>(10,370)</u>	<u>(10,205)</u>	<u>(9,484)</u>
Loans, net	<u>\$ 677,525</u>	<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.

Ponce De Leon Federal Bank and Subsidiaries

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(In thousands of US dollars unless otherwise stated)

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 the 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.
- **Loss** – Loans that are considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

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.

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(In thousands of US dollars unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The following tables present credit risk ratings by loan segment as of March 31, 2017 and December 31, 2016 and 2015:

	March 31, 2017 (Unaudited)						
	Mortgage Loans				Nonmortgage Loans		Total Loans
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	
Risk Rating:							
Pass	\$320,845	\$161,293	\$136,492	\$31,306	\$12,422	\$796	\$663,154
Special mention	4,109	540	—	—	—	—	4,649
Substandard	9,035	—	4,009	6,304	12	—	19,360
Doubtful	—	—	—	—	—	—	—
Total	\$333,989	\$161,833	\$140,501	\$37,610	\$12,434	\$796	\$687,163

	December 31, 2016						
	Mortgage Loans				Nonmortgage Loans		Total Loans
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	
Risk Rating:							
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

	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	\$309,292	\$122,836	\$106,462	\$22,883	\$14,350	\$788	\$576,611

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(In thousands of US dollars unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

An aging analysis of loans, as of March 31, 2017, December 31, 2016 and 2015, is as follows:

	March 31, 2017 (Unaudited)						
	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	\$326,053	\$ 4,947	\$ 169	\$ 2,820	\$333,989	\$ 4,146	\$ —
Multifamily	160,266	1,567	—	—	161,833	—	—
Nonresidential properties	137,263	1,244	—	1,994	140,501	2,386	—
Construction and land	37,477	133	—	—	37,610	1,142	—
Nonmortgage Loans:							
Business	12,384	38	—	12	12,434	12	—
Consumer	796	—	—	—	796	—	—
Total	\$674,239	\$ 7,929	\$ 169	\$ 4,826	\$687,163	\$ 7,686	\$ —
	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	\$640,847	\$ 6,163	\$ 557	\$ 4,075	\$651,642	\$ 7,722	\$ —
	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	\$568,117	\$ 4,093	\$ 1,025	\$ 3,376	\$576,611	\$ 9,505	\$ —

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(In thousands of US dollars unless otherwise stated)

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 March 31, 2017 and December 31, 2016 and 2015:

	March 31, 2017 (Unaudited)							Total 2017
	Mortgage Loans				Nonmortgage Loans			
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Unallocated	
Allowances for loan losses:								
Balance, beginning of year	\$ 4,951	\$ 2,705	\$ 1,320	\$ 615	\$ 597	\$ 17	\$ —	\$ 10,205
Provision charged to expense	(47)	94	246	57	(585)	(9)	296	52
Losses charged off	—	—	—	—	(10)	—	—	(10)
Recoveries	6	1	2	—	113	1	—	123
Balance, end of year	\$ 4,910	\$ 2,800	\$ 1,568	\$ 672	\$ 115	\$ 9	\$ 296	\$ 10,370
Ending balance: individually evaluated for impairment	\$ 1,077	\$ —	\$ 260	\$ —	\$ —	\$ —	\$ —	\$ 1,337
Ending balance: collectively evaluated for impairment	3,833	2,800	1,308	672	115	9	—	8,737
Unallocated	—	—	—	—	—	—	296	296
Total	\$ 4,910	\$ 2,800	\$ 1,568	\$ 672	\$ 115	\$ 9	\$ 296	\$ 10,370
Loans:								
Ending balance: individually evaluated for impairment	\$ 17,764	\$ —	\$ 6,421	\$ 1,142	\$ 546	\$ 12	\$ —	\$ 25,885
Ending balance: collectively evaluated for impairment	316,225	161,833	134,080	36,468	11,888	784	—	661,278
Total	\$333,989	\$ 161,833	\$ 140,501	\$ 37,610	\$12,434	\$ 796	\$ —	\$687,163
	December 31, 2016							Total 2016
	Mortgage Loans				Nonmortgage Loans			
	1-4 Family	Multifamily	Nonresidential	Construction and Land	Business	Consumer	Unallocated	
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	\$ 4,951	\$ 2,705	\$ 1,320	\$ 615	\$ 597	\$ 17	\$ —	\$ 10,205
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
Unallocated	—	—	—	—	—	—	—	—
Total	\$ 4,951	\$ 2,705	\$ 1,320	\$ 615	\$ 597	\$ 17	\$ —	\$ 10,205
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	\$325,040	\$ 158,200	\$ 121,500	\$ 30,340	\$15,719	\$ 843	\$ —	\$651,642

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(In thousands of US dollars unless otherwise stated)

Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

	December 31, 2015							
	Mortgage Loans				Nonmortgage Loans			Total
	1-4 Family	Multi-Family	Nonresidential	Construction and Land	Business	Consumer	Unallocated	2015
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>\$ —</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
Unallocated	—	—	—	—	—	—	—	—
Total	<u>\$ 4,969</u>	<u>\$ 1,994</u>	<u>\$ 1,298</u>	<u>\$ 502</u>	<u>\$ 709</u>	<u>\$ 12</u>	<u>\$ —</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>\$ —</u>	<u>\$576,611</u>

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 three months ended March 31, 2017 and 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
March 31, 2017 (Unaudited)							
Mortgages:							
1-4 Family	\$ 19,257	\$ 7,477	\$ 10,287	\$ 17,764	\$ 1,077	\$ 17,781	\$ 216
Multifamily	—	—	—	—	—	—	—
Nonresidential properties	7,057	3,876	2,545	6,421	260	6,427	69
Construction and land	1,254	1,142	—	1,142	—	1,132	—
Nonmortgage Loans:							
Business	600	558	—	558	—	558	—
Consumer	—	—	—	—	—	—	—
Total	<u>\$ 28,168</u>	<u>\$ 13,053</u>	<u>\$ 12,832</u>	<u>\$ 25,885</u>	<u>\$ 1,337</u>	<u>\$ 25,898</u>	<u>\$ 285</u>

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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

	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:							
Business	891	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. TDR's 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.

As of and for the three months ended March 31, 2017 and year ended December 31, 2016, there were no loans that were restructured as a TDR. As of the year ended December 31, 2015, there was one loan amounting to approximately \$242 that was restructured with an interest rate adjustment and deemed a TDR. For the three months ended March 31, 2017 and years ended December 31, 2016 and 2015, there were no outstanding TDR loans that had a payment default within 12 months following their modification.

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Note 4. Loans Receivable and Allowance for Loan Losses (Continued)

The financial effects of the loans modified were not material. Loans restructured in a TDR in 2015, resulted in no charge-offs or specific reserves. At March 31, 2017, the Bank had 54 TDR loans, included in impaired loans of \$20,829. At December 31, 2016 and 2015, the Bank had 58 and 61 TDR 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 TDR. The financial impact from the concessions made by the Bank represents specific impairment reserves on these loans which aggregated \$1,337, \$1,373 and \$1,447 at March 31, 2017, December 31, 2016 and 2015, respectively.

Note 5. Bank Premises and Equipment

A summary of premises and equipment at March 31, 2017, December 31, 2016 and 2015 is as follows:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
Land	\$ 3,979	\$ 3,979	\$ 3,979
Buildings and improvements	15,972	15,972	15,966
Leasehold improvements	19,294	19,280	20,411
Furniture, fixtures and equipment	<u>3,848</u>	<u>3,799</u>	<u>4,484</u>
	43,093	43,030	44,840
Less accumulated depreciation and amortization	<u>(17,406)</u>	<u>(17,002)</u>	<u>(17,663)</u>
	<u>\$ 25,687</u>	<u>\$ 26,028</u>	<u>\$ 27,177</u>

Depreciation and amortization expense amounted to \$404 and \$423 for the three months ended March 31, 2017 and 2016, respectively, and \$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 March 31, 2017, December 31, 2016 and 2015 are summarized as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 2015	
Demand	\$ 84,944	\$ 78,792	\$ 58,622
Interest-bearing deposits:			
NOW/IOLA accounts	27,979	25,692	25,687
Money market accounts	48,096	42,788	26,169
Savings accounts	129,456	127,085	125,143
Total savings, NOW and money market	205,531	195,565	176,999
Certificates of deposit of \$250K or more	85,544	90,267	68,987
All other certificates of deposit	279,863	278,454	294,898
Total certificates of deposit	365,407	368,721	363,885
Total interest-bearing deposits	570,938	564,286	540,884
Total deposits	\$ 655,882	\$643,078	\$599,506

At March 31, 2017 and December 31, 2016, scheduled maturities of certificates of deposit were as follows:

<u>March 31, (Unaudited)</u>	
2018	\$157,719
2019	83,706
2020	34,788
2021	50,607
2022	38,587
	<u>\$365,407</u>
 <u>December 31,</u>	
2017	\$168,940
2018	69,973
2019	40,690
2020	35,327
2021	53,791
	<u>\$368,721</u>

Overdrawn deposit accounts that have been reclassified to loans amounted to \$182, \$149 and \$239 as of March 31, 2017, December 31, 2016 and 2015, respectively.

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Note 7. Borrowings

FHLB Advances: The Bank is a member of the FHLB of New York. At March 31, 2017, 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 \$28,000 and \$3,000 of outstanding advances from the FHLB on an overnight line of credit basis at March 31, 2017 and December 31, 2016. The Bank also had a guarantee from the FHLB through a standby letter of credit of \$3,583 and \$3,583 at March 31, 2017 and December 31, 2016, respectively.

The floating interest rate on the overnight advances from the FHLB was 1.04% and 0.78% at March 31, 2017 and December 31, 2016, respectively. The floating interest rate on the overnight advances from FHLB was 0.56% at December 31, 2015. Interest expense on FHLB advances totaled \$29 and \$6 for the three months ended March 31, 2017 and 2016, respectively. Interest expense on FHLB advances totaled \$8 and \$44 for the years 2016 and 2015, respectively.

As of March 31, 2017 and December 31, 2016, the Bank had eligible collateral of approximately \$166,151 and \$164,843 in mortgage loans available to secure advances from the FHLB.

Securities Sold under Agreement to Repurchase: At March 31, 2017 and 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 March 31, 2017, December 31, 2016 and 2015. Interest expense on securities sold under repurchase agreements totaled \$0 and \$0 for the three months ended March 31, 2017 and 2016, respectively. 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 three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016 and 2015 consists of the following:

	<u>Three Months Ended March 31,</u>		<u>Years Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>
	<u>(Unaudited)</u>			
Federal:				
Current	\$ 253	\$ 226	\$ 642	\$ 91
Deferred	110	144	387	1,090
	<u>363</u>	<u>370</u>	<u>1,029</u>	<u>1,181</u>
State and local:				
Current	49	54	237	122
Deferred	(199)	1	(754)	(722)
	<u>(150)</u>	<u>55</u>	<u>(517)</u>	<u>(600)</u>
Changes in valuation allowance	<u>132</u>	<u>65</u>	<u>493</u>	<u>734</u>
Provision for income taxes	<u>\$ 345</u>	<u>\$ 490</u>	<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 the three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016 and 2015 to income before income taxes as a result of the following:

	Three Months Ended March 31,		Years Ended December 31,	
	2017	2016	2016	2015
	(Unaudited)			
Income tax, at federal rate	\$ 309	\$ 441	\$ 826	\$ 1,303
State and local tax, net of federal taxes	(96)	(16)	(341)	(395)
Valuation allowance, net of the federal benefit	132	65	493	734
Other	—	—	27	(327)
	<u>\$ 345</u>	<u>\$ 490</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 March 31, 2017, 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 Bank 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 March 31, 2017, December 31, 2016 and 2015 are presented below:

	At March 31, 2017 (Unaudited)	Years Ended December 31, 2016	2015
Deferred tax assets:			
Allowance for losses on loans	\$ 4,446	\$ 4,352	\$ 4,125
Pension obligations	3,145	3,134	3,289
Interest on nonaccrual loans	335	525	645
Unrealized loss on available-for-sale securities	117	86	191
Amortization of intangible assets	213	219	191
Deferred rent payable	221	212	184
Net operating losses	1,483	1,340	780
Other	15	20	72
Total gross deferred tax assets	9,975	9,888	9,477
Deferred tax liabilities:			
Cumulative employee contribution in excess of net periodic benefit costs	4,313	4,313	4,056
Depreciation and amortization of premises and equipment	374	426	448
Deferred loan fees	312	303	233
Other	17	17	18
Total gross deferred tax liabilities	5,016	5,059	4,755
Valuation allowance	1,581	1,450	957
Net deferred tax assets	\$ 3,378	\$ 3,379	\$ 3,765

The deferred tax expense (benefit) has been allocated between operations and equity as follows:

	Three Months Ended March 31, 2017		Years Ended December 31, 2016	
	(Unaudited)		2016	2015
Equity	\$ (41)	\$ 185	\$ 260	\$ 320
Operations	42	141	126	1,086
	\$ 1	\$ 326	\$ 386	\$ 1,406

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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 Old Pension 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 March 31, 2017, December 31, 2016 and 2015 using a measurement date as of March 31, 2017, December 31, 2016 and 2015:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ (14,108)	\$(14,142)	\$(14,903)
Fair value of plan assets	<u>14,963</u>	<u>15,038</u>	<u>14,553</u>
Funded status	<u>\$ 855</u>	<u>\$ 896</u>	<u>\$ (350)</u>
Accumulated benefit obligation	<u>\$ (14,108)</u>	<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 March 31, 2017, December 31, 2016 and 2015:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
Net loss	<u>\$ (9,249)</u>	<u>\$ (9,217)</u>	<u>\$ (9,673)</u>

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Note 9. Pension Plans (Continued)

The net periodic benefit cost and amounts recognized in other comprehensive loss are as follows for the three months ended March 31, 2017 and the years ended December 31, 2016 and 2015:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2016</u>	<u>2015</u>
Net periodic benefit	\$ 10	\$ 79	\$ 64
Net actuarial gain (loss)	31	(456)	1,583
Total recognized in net periodic benefit cost and other comprehensive loss	\$ 41	\$(377)	\$1,647

Weighted-average assumptions used by the Bank to determine the net benefit obligations consisted of the following as of March 31, 2017, December 31, 2016 and 2015:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2016</u>	<u>2015</u>
Discount rate	4.25%	4.25%	4.25%
Rate of compensation increase	0.00%	0.00%	0.00%

Weighted-average assumptions used by the Bank to determine the net benefit cost consisted of the following for the three months ended March 31, 2017 and for the years ended December 31, 2016 and 2015:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2016</u>	<u>2015</u>
Discount rate	4.25%	4.25%	4.25%
Rate of compensation increase	0.00%	0.00%	0.00%
Expected long-term rate of return on assets	6.00%	6.00%	6.00%

The Bank's expected rate of return on plan assets is estimated based on the Old Pension 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. The Old Pension Plan's 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 March 31, 2017, December 31, 2016 and 2015 was \$14,963, \$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.

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Note 9. Pension Plans (Continued)

Employer contributions and benefit payments for the three months ended March 31, 2017 and for the years ended December 31, 2016 and 2015 are as follows:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2016</u> <u>2015</u>	
Employer contribution	<u>\$ —</u>	<u>\$870</u>	<u>\$3,520</u>
Benefits paid	<u>\$ 184</u>	<u>\$853</u>	<u>\$1,383</u>

Employee benefit payments expected to be paid in the future are as follows:

As of March 31, 2017 (Unaudited)

2017	\$ 670
2018	841
2019	840
2020	818
2021	798
Thereafter	<u>3,841</u>
	<u>\$7,808</u>

Year ending December 31,

2017	\$ 854
2018	841
2019	840
2020	818
2021	798
Thereafter	<u>3,841</u>
	<u>\$7,992</u>

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. No contributions were made for the three months ended March 31, 2017. Contributions were approximately \$339 and \$295 for the years ended December 31, 2016 and 2015, respectively.

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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 March 31, 2017, December 31, 2016 and 2015 are as follows:

	<u>March 31,</u> <u>2017</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2016</u> <u>2015</u>	
Commitments to grant mortgage loans	\$ 53,627	\$33,813	\$28,386
Unfunded commitments under lines of credit	34,453	27,404	22,174
Standby letters of credit	2,487	2,487	3,761
	<u>\$ 90,567</u>	<u>\$63,704</u>	<u>\$54,321</u>

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.

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Note 10. Commitments, Contingencies and Credit Risk (Continued)

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 \$355 and \$333 for the three months ended March 31, 2016 and 2015, respectively. 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 March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31,</u> <u>(Unaudited)</u>	<u>December 31,</u>
2017	\$ 728	\$ 1,062
2018	990	990
2019	1,011	1,011
2020	1,041	1,041
2021	1,072	1,072
Thereafter	<u>6,654</u>	<u>6,654</u>
	<u>\$ 11,496</u>	<u>\$ 11,830</u>

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.

Ponce De Leon Federal Bank and Subsidiaries

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(In thousands of US dollars unless otherwise stated)

Note 11. Fair Value (Continued)

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.

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.

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(In thousands of US dollars unless otherwise stated)

Note 11. Fair Value (Continued)

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.

The following tables detail the assets that are carried at fair value and measured at fair value on a recurring basis as of March 31, 2017, December 31, 2016 and 2015, and indicate the level within the fair value hierarchy utilized by the Bank to determine the fair value:

<u>Description</u>	<u>Total</u>	<u>March 31, 2017</u> <u>(Unaudited)</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available-for-Sale Securities:				
U.S. government and federal agencies	\$41,484	\$ —	\$41,484	\$ —
Certificates of Deposit	500		500	
Mortgage-Backed Securities:				
FHLMC Certificates	213	—	213	—
FNMA Certificates	3,365	—	3,365	—
GNMA Certificates	6,375	—	6,375	—
	<u>\$51,937</u>	<u>\$ —</u>	<u>\$51,937</u>	<u>\$ —</u>

<u>Description</u>	<u>Total</u>	<u>December 31, 2016</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available-for-Sale Securities:				
U.S. government and federal agencies	\$41,559	\$ —	\$41,559	\$ —
Certificates of Deposit	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>

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(In thousands of US dollars unless otherwise stated)

Note 11. Fair Value (Continued)

Description	Total	December 31, 2015		
		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>

The following tables detail the assets carried at fair value and measured at fair value on a nonrecurring basis as of March 31, 2017, December 31, 2016 and 2015 and indicate the fair value hierarchy utilized by the Bank to determine the fair value:

	March 31, 2017 (Unaudited)			
	Total	Level 1	Level 2	Level 3
Impaired loans	<u>\$25,885</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$25,885</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, 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>

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Note 11. Fair Value (Continued)

	December 31, 2015			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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 three months ended March 31, 2017 and 2016 and for the years 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 2017, 2016 and 2015 have been measured as of their respective period-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 period.

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 March 31, 2017, December 31, 2016 and 2015, the recorded book balances and estimated fair values of the Bank's financial instruments were as follows:

	March 31, 2017		December 31,			
	(Unaudited)		2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Cash and cash equivalents	\$ 16,504	\$ 16,504	\$ 11,716	\$ 11,716	\$ 12,694	\$ 12,694
Investment securities	51,937	51,937	52,690	52,690	82,034	82,034
Loans held for sale	2,143	2,143	2,143	2,143	3,303	3,303
Loans receivable, net	677,525	692,566	642,148	660,706	567,662	586,735
Accrued interest receivable	2,749	2,749	2,707	2,707	2,668	2,668
FHLB stock	2,089	2,089	964	964	1,162	1,162
Financial liabilities:						
Deposits:						
Demand deposits	84,944	84,944	78,792	78,792	58,622	58,622
Interest-bearing deposits	205,531	205,531	195,565	195,565	176,999	176,999
Certificates of deposit	365,407	371,948	368,721	368,721	363,885	369,416
Advance payments by borrowers for taxes and insurance	5,670	5,670	3,882	3,882	2,600	2,600
Advances from FHLB	28,000	28,000	3,000	3,000	8,000	8,000
Accrued interest payable	26	26	28	28	36	36

Off-Balance-Sheet Instruments: Loan commitments on which the committed interest rate is less than the current market rate were insignificant at March 31, 2017, 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 March 31, 2017, December 31, 2016 and 2015, the Bank met all capital adequacy requirements to which it is subject.

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 March 31, 2017, 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>
March 31, 2017: (Unaudited)						
Total Capital to Risk-Weighted Assets	\$107,219	18.16%	\$ 47,224	8.00%	\$59,029	10.00%
Tier 1 Capital to Risk-Weighted Assets	99,803	16.91%	35,418	6.00%	47,224	8.00%
Common Equity Tier 1 Capital Ratio	99,803	16.91%	26,563	4.50%	38,369	6.50%
Tier 1 Capital to Total Assets	99,803	13.08%	30,523	4.00%	38,153	5.00%

	<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%

	<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, 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:

	March 31, 2017 (Unaudited)		
	December 31, 2016	Current Year Change	March 31, 2017
Unrealized losses on securities available for sale, net	\$ (166)	\$ (61)	\$ (227)
Unrealized losses on pension benefits, net	(6,084)	(20)	(6,104)
Total	\$ (6,250)	\$ (81)	\$ (6,331)

	December 31, 2016		
	December 31, 2015	Current Year Change	December 31, 2016
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)

	December 31, 2015		
	December 31, 2014	Current Year Change	December 31, 2015
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)

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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 three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016 and 2015 were as follows:

	<u>March 31,</u>		<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2015</u>
	<u>(Unaudited)</u>			
Beginning balance	\$1,573	\$1,728	\$1,728	\$ 398
Originations	—	—	—	1,494
Payments	(33)	(26)	(155)	(164)
Ending balance	<u>\$1,540</u>	<u>\$1,702</u>	<u>\$1,573</u>	<u>\$1,728</u>

The Bank held deposits in the amount of \$5,295, \$6,856 and \$5,702 from officers and directors at March 31, 2017 and 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	132,500
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>\$2,878,794</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., as amended May 12, 2017
- 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 Crowe Horwath LLP *
- 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 Opinions included as Exhibits 8.1 and 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.

† Previously filed.

(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.

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Exhibit Index

<u>Exhibit number</u>	<u>Description of exhibit</u>
1.1	Engagement Letter, dated as of December 2, 2016, between Ponce De Leon Federal Bank and Raymond James & Associates, Inc., as amended May 12, 2017
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 Crowe Horwath LLP *
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 # †
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 Opinions included as Exhibits 8.1 and 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

† Previously filed.

RAYMOND JAMES®

CONFIDENTIAL

May 12, 2017

Ponce De Leon Federal Bank
2244 Westchester Street
Bronx, New York 10462

Attention: Carlos P. Naudon
President

Dear Mr. Naudon:

By letter dated December 2, 2016 (the "Engagement Letter"), Ponce De Leon Federal Bank (the "Bank"), on behalf of itself and the Company (as such term is defined in the Engagement Letter), and Raymond James & Associates, Inc., ("Raymond James") entered into an agreement with respect to the terms under which Raymond James would assist the Company in connection with the Bank's proposed reorganization into the mutual holding company form of organization. This letter hereby amends the Engagement Letter to clarify certain matters with regard to the engagement of Raymond James as provided herein. Accordingly, the Engagement Letter is hereby amended as follows:

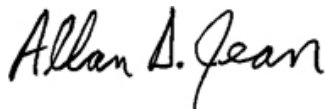
1. Section 5(b) Success Fee is hereby amended to delete in its entirety the last sentence of such section. All other provisions of said section shall remain in full force and effect.

All other terms, conditions and obligations of the parties to the Engagement Letter remain in full force and effect and shall be otherwise unaffected by this amendment.

Please confirm that the foregoing correctly sets forth our agreement with regard to the amendment of the Engagement Letter by signing and returning to the undersigned a copy of this letter, as amended on May 12, 2017.

Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.



By: _____

Allan D. Jean
Director of Mutual Conversions

Accepted and agreed to as of the date first written above:

PONCE DE LEON FEDERAL BANK



By: _____
Carlos P. Naudon
President

222 South Riverside Plaza – 7th Floor // Chicago, IL 60606

T 312.612.7785 // raymondjames.com

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC

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

Raymond James & Associates, Inc., member New York Stock Exchange/SIPC

- (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

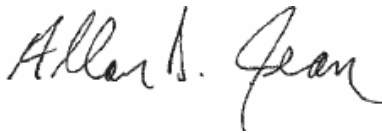
If to Raymond James: Raymond James & Associates, Inc.
880 Carillon Parkway
St. Petersburg, FL 33716
Attention: John Critchlow, Managing Director-Legal, Equity Capital Markets

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

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.



May 22, 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 Pre-Effective Amendment No. 1 to the Form S-1 (No. 333-217275) of PDL Community Bancorp to be filed on May 22, 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
May 22, 2017

**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 May 5, 2017



1100 North Glebe Road Suite 600
Arlington, Virginia 22201
703.528.1700
rpfincial.com

May 5, 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”) and on April 7, 2017 the Board of Directors of Ponce De Leon Federal Bank adopted amendment No. 1 to 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”);

Washington Headquarters

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E-Mail: mail@rpfinancial.com

- (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.

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 March 31, 2017, 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 May 5, 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 March 31, 2017, 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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PONCE BANK
Bronx, New York

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Bronx, New York
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PONCE BANK
Bronx, New York

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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 March 31, 2017, Ponce Bank had total assets of \$786.3 million, total deposits of \$655.9 million and total equity of \$93.5 million equal to 11.89% 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") and on April 7, 2017 the Board of Directors of Ponce De Leon Federal Bank adopted amendment No. 1 to 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 and one-quarter years. From yearend 2012 through March 31, 2017, Ponce Bank's assets increased at a 0.75% annual rate. Total assets trended lower from yearend 2012 through yearend 2015, which was followed by a healthy increase in assets during 2016 and the first quarter of 2017. Both loans and cash and investments declined during the period of asset shrinkage, while asset growth during 2016 and the first quarter of 2017 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. Asset growth during the first quarter of 2017 was funded by deposit growth and an increase in 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 3.53% annual rate from yearend 2012 through March 31, 2017, in which the loans receivable balance declined from yearend 2012 through yearend 2014 and then increased during the past two and one-quarter years. The most significant loan growth was realized during 2016, and the first quarter of 2017 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 86.17% at March 31, 2017.

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 48.60% of total loans receivable at March 31, 2017. Comparatively, from yearend 2012 through March 31, 2017, multi-family increased from 18.16%

Table 1.1
Ponce Bank
Historical Balance Sheet Data

	At December 31,												12/31/12- 3/31/17 Annual Growth Rate Pct
	2012		2013		2014		2015		2016		2017		
	Amount (\$000)	Pct(1) (%)	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%	\$786,253	100.00%	0.75%
Cash and cash equivalents	21,141	2.78%	12,752	1.75%	15,849	2.24%	12,694	1.81%	11,716	1.57%	16,504	2.10%	-5.66%
Investment securities/CDs	108,693	14.27%	102,305	14.00%	100,574	14.24%	82,034	11.67%	52,690	7.07%	51,937	6.61%	-15.95%
Loans held for sale	—	0.00%	5,667	0.78%	2,707	0.38%	3,303	0.47%	2,143	0.29%	2,143	0.27%	NM
Loans receivable, net	584,606	76.77%	561,623	76.87%	543,289	76.91%	567,662	80.73%	642,148	86.20%	677,525	86.17%	3.53%
FHLB stock	1,124	0.15%	1,596	0.22%	1,267	0.18%	1,162	0.17%	964	0.13%	2,089	0.27%	15.70%
Core deposit intangible	564	0.07%	420	0.06%	276	0.04%	132	0.02%	3	0.00%	3	0.00%	-70.83%
Deposits	\$666,851	87.57%	\$627,060	85.82%	\$599,697	84.89%	\$599,506	85.26%	\$643,078	86.32%	\$655,882	83.42%	-0.39%
Borrowings	—	0.00%	11,000	1.51%	10,000	1.42%	8,000	1.14%	3,000	0.40%	28,000	3.56%	NM
Equity	\$ 86,147	11.31%	\$ 87,711	12.00%	\$ 89,600	12.68%	\$ 91,062	12.95%	\$ 92,992	12.48%	\$ 93,474	11.89%	1.94%
Tangible equity	\$ 85,583	11.24%	\$ 87,291	11.95%	\$ 89,324	12.64%	\$ 90,930	12.93%	\$ 92,989	12.48%	\$ 93,471	11.89%	2.10%
Loans/Deposits		87.67%		89.56%		90.59%		94.69%		99.86%		103.30%	
Number of offices	12		13		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.

of total loans receivable to 23.55% of total loans receivable, commercial real estate loans increased from 19.45% of total loans receivable to 20.45% of total loans receivable and construction and land loans increased from 5.00% of total loans receivable to 5.47% 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 1.81% 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 0.27% of assets at March 31, 2017.

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 the past two and one-quarter years. U.S. Government and federal agency securities totaling \$41.5 million comprised the most significant component of the Bank's investment portfolio at March 31, 2017. Other investments held by the Bank at March 31, 2017 consisted of mortgage-backed securities (\$10.0 million) and CDs (\$500,000). As of March 31, 2017, all investments were maintained as available for sale and reflected a net unrealized loss of \$344,000. Exhibit I-4 provides historical detail of the Bank's investment portfolio. As of March 31, 2017, the Bank also held \$16.5 million of cash and cash equivalents and \$2.1 million 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 March 31, 2017, the Bank's deposits decreased at a 0.39% annual rate. Deposits declined from yearend 2012 through yearend 2015, which was followed by deposit growth during 2016 and the first quarter of 2017. Overall, deposits as a percent of assets remained fairly stable over the past five and one-quarter years, equaling 87.57% of assets at yearend 2012 and 83.42% of assets at March 31, 2017. CDs account for the largest concentration of the Bank's deposits and comprised 56.42% of average deposits during first quarter of 2017.

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 March 31, 2017, borrowings ranged from a zero balance at yearend 2012 to high of \$28.0 million or 3.56% of assets at March 31, 2017. Borrowing held by the Bank at March 31, 2017 consisted of overnight FHLB advances.

The Bank's equity increased at a 1.94% annual rate from yearend 2012 through March 31, 2017, which was largely attributable to retention of earnings. The increase in equity combined with a comparatively slower rate of asset growth since yearend 2012 provided for a slight increase in the Bank's equity-to-assets ratio from 11.31% at yearend 2012 to 11.89% at March 31, 2017. Similarly, the Bank's tangible equity-to-assets ratio increased from 11.24% at yearend 2012 to 11.89% at March 31, 2017. The Bank maintained a nominal core deposit intangible balance at March 31, 2017. The Bank maintained capital surpluses relative to all of its regulatory capital requirements at March 31, 2017. 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 and for the twelve months ended March 31, 2017. The Bank's reported earnings ranged from a low of \$1.2 million or 0.16% of average assets during the twelve months ended March 31, 2017 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 and one-quarter years. Non-operating gains and losses have not been a factor on the Bank's earnings over the past five and one-quarter years.

During the period covered in Table 1.2, the Bank's net interest income to average assets ratio ranged from a low of 3.79% during the twelve months ended March 31, 2017 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

Table 1.2
Ponce Bank
Historical Income Statements

	For the Year Ended December 31,										For the Twelve Months Ended March 31,	
	2012		2013		2014		2015		2016		2017	
	Amount (\$000)	Pct(1) (%)	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%	\$ 33,935	4.60%
Interest expense												
	(9,504)	1.23%	(7,701)	1.03%	(5,730)	0.80%	(5,650)	0.79%	(5,936)	0.82%	(5,998)	-0.81%
Net interest income	\$ 31,574	4.10%	\$ 29,461	3.95%	\$ 29,765	4.14%	\$ 27,940	3.91%	\$ 27,805	3.83%	\$ 27,937	3.79%
Provision for loan losses												
	(5,132)	0.67%	(3,426)	0.46%	(1,183)	0.16%	(353)	0.05%	57	0.01%	(542)	-0.07%
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%	\$ 27,395	3.71%
Non-interest operating income	\$ 3,042	0.39%	\$ 3,106	0.42%	\$ 2,749	0.38%	\$ 2,462	0.34%	\$ 2,431	0.34%	\$ 2,648	0.36%
Operating expense												
	(23,970)	3.11%	(24,671)	3.31%	(25,797)	3.59%	(26,216)	3.67%	(27,863)	3.84%	(28,003)	-3.80%
Net operating income	\$ 5,514	0.72%	\$ 4,470	0.60%	\$ 5,534	0.77%	\$ 3,833	0.54%	\$ 2,430	0.34%	\$ 2,040	0.28%
Net income before tax	\$ 5,514	0.72%	\$ 4,470	0.60%	\$ 5,534	0.77%	\$ 3,833	0.54%	\$ 2,430	0.34%	\$ 2,040	0.28%
Income tax provision												
	(1,424)	0.18%	(2,015)	0.27%	(2,998)	0.42%	(1,315)	0.18%	(1,005)	0.14%	(860)	-0.12%
Net income (loss)	\$ 4,090	0.53%	\$ 2,455	0.33%	\$ 2,536	0.35%	\$ 2,518	0.35%	\$ 1,425	0.20%	\$ 1,180	0.16%
Adjusted Earnings												
Net income	\$ 4,090	0.53%	\$ 2,455	0.33%	\$ 2,536	0.35%	\$ 2,518	0.35%	\$ 1,425	0.20%	\$ 1,180	0.16%
Add(Deduct):												
Non-operating income	0	0.00%	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%	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%	\$ 1,180	0.16%
Expense Coverage Ratio (3)	1.32x		1.19x		1.15x		1.07x		1.00x		1.00x	
Efficiency Ratio (4)	69.27%		75.74%		79.42%		86.35%		92.09%		91.57%	

(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.

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 and one quarter 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. For the three months ended March 31, 2017, the Bank's interest rate spread equaled 3.88% versus an interest rate spread of 4.08% for the year ago quarter. The Bank's net interest rate spreads and yields and costs for the past five and one-quarter 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 and one-quarter 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, 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. For the twelve months ended March 31, 2017, non-interest operating income amounted to \$2.6 million or 0.36% of average assets. 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 \$28.0 million or 3.80% of average assets during the twelve months ended March 31, 2017. 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 and one-quarter years, the Bank's expense coverage ratios (net interest income divided by operating expenses) ranged from a low of 1.00x during 2016 and the twelve months ended March 31, 2017 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. For the twelve months ended March 31, 2017, the Bank's efficiency ratio improved slightly to a ratio of 91.57%.

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 2012. For the twelve months ended March 31, 2017, the Bank reported loan loss provisions of \$542,000 or 0.07% of assets. The reduction in loan loss provisions established from 2012 through 2016 was facilitated by improving credit quality trends, including decreases in the amount of net charge-offs recorded. The increase in loan loss provisions established during the most recent twelve month period was related to loan growth, as opposed to deterioration in credit quality. As of March 31, 2017 the Bank maintained loan loss allowances of \$10.4 million, equal to 1.51% of total loans receivable and 134.92% of non-accruing loans. Exhibit I-6 sets forth the Bank's loan loss allowance activity for the past five and one-quarter years.

Over the past five and one-quarter 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 42.16% during the twelve months ended March 31, 2017. 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 March 31, 2017, an analysis of the Bank's net present value ("NPV") and net interest income indicated that in the event of an instantaneous parallel 200 basis point increase in interest rates NPV would decrease by 11.26% and net interest income would decrease by 5.18% 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 March 31, 2017, of the Bank's total loans due after March 31, 2018, adjustable rate loans comprised 84.21% 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 43.58% of the Bank's average total deposits during the three months ended March 31, 2017.

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 and one-quarter years and Exhibit I-10 provides the contractual maturity of the Bank's loan portfolio by loan type as of March 31, 2017.

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 to 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 March 31, 2017, the Bank's outstanding balance of 1-4 family loans equaled \$334.0 million or 48.60% of total loans receivable and consisted of \$237.9 million of investor owned loans and \$96.1 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 \$10.0 million at March 31, 2017. 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 March 31, 2017, the Bank's outstanding balance of construction loans equaled \$37.6 million or 5.47% 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 March 31, 2017, the Bank's outstanding balance of commercial real estate and multi-family loans totaled \$302.3 million equal to 44.00% of total loans outstanding and included \$161.8 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 March 31, 2017, the Bank's outstanding balance of commercial business loans equaled \$12.4 million or 1.81% 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 March 31, 2017, the Bank held \$796,000 of consumer loans or 0.12% of total loans receivable.

Exhibit I-11 provides a summary of the Bank's lending activities over the past five and one-quarter years. Total loans originated ranged from a low of \$76.9 million during 2012 to a high of \$162.8 million during 2016. Loan originated for the three months ended March 31, 2017 totaled \$74.8 million, which was well above the \$41.2 million of loans originated during the year ago quarter. 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 and one-quarter years, with the exception of selling \$838,000 of multi-family loans during 2014 and in 2012 the Bank sold loans totaling \$2.4 million consisting of 1-4 family loans, multi-family loans and construction and land loans. Following three years of decline from 2012 through 2014, the Bank's net loan activity showed increases of \$24.4 million in 2015, \$75.0 million in 2016 and \$35.5 million during the three months ended March 31, 2017.

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 and one-quarter years, Ponce Bank's balance of non-performing assets ranged from a high of \$62.8 million or 8.25% of assets at yearend 2012 to a low of \$7.7 million or 0.98% of assets at March 31, 2017. As shown in Exhibit I-12, non-performing assets at March 31, 2016 consisted of \$7.7 million of non-accruing loans. Non-accruing loans held by the Bank at March 31, 2017 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 March 31, 2017, the Bank maintained loan loss allowances of \$10.4 million, equal to 1.51% of total loans receivable and 134.92% of non-performing loans.

Funding Composition and Strategy

Deposits have consistently served as the Bank's primary funding source and at March 31, 2017 deposits accounted for 95.91% of Ponce Bank's combined balance of deposits and borrowings. Exhibit I-13 sets forth the Bank's deposit composition for the past three and one-quarter years and Exhibit I-14 provides the interest rate and maturity composition of the CD portfolio at March 31, 2017. 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 the three months ended March 31, 2017, the balance of CDs averaged \$362.5 million or 56.42% 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 43.16% of the Bank's CDs at March 31, 2017. As of March 31, 2017, jumbo CDs (CD accounts with balances of \$100,000 or more) amounted to \$232.2 million or 63.54% of total CDs. The Bank did not maintain any brokered deposit as of March 31, 2017.

Transaction and savings account deposits comprised 43.58% of average total deposits during the three months ended March 31, 2017, as compared to 37.93% of average total deposits during 2014. Savings account deposits comprised the largest concentration of the Banks core deposits during the three months ended March 31, 2017, averaging \$128.9 million or 46.02% 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 \$28.0 million at March 31, 2017 and consisted entirely of FHLB advances on an overnight line of credit basis. At March 31, 2017, the FHLB advances had a weighted average interest rate of 1.04%. Exhibit I-15 provides further detail of the Bank's borrowings activities during the past three and one-quarter 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 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 1.9% annual rate (subsequently revised to 2.1%).

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%, which was the fastest pace for existing home sales since February 2007. Economic activity in the manufacturing sector expanded in February to a reading of 57.7, while February service sector activity also increased to a reading of 57.6. The U.S. economy added 235,000 jobs in February and the February unemployment rate ticked down to 4.7%. Retail sales for February showed a modest increase of 0.1%. Data for February home sales was mixed, as February new home sales increased 6.1% and February pending home sales jumped 5.5%. Comparatively, February existing homes declined 3.7%. Manufacturing and service sector activity expanded at slightly lower rates with respective readings of 57.2 and 55.2. Job growth for March was less than expected, as U.S. employers added only 98,000 jobs in March. The March unemployment rate edged down to 4.5%. Existing home sales for March rebounded with a 4.4% increase in

sales, which was the strongest month of sales since February 2007. March new home sales also showed a healthy increase of 5.8%, while pending home sales for March slipped 0.8%. The decrease in March pending home sales was attributable to a low inventory of listings in the affordable price range. First quarter GDP increased at an annual rate of 0.7%, which was the slowest growth since the first quarter of 2014. Manufacturing activity eased in April, with an index reading of 54.8, while April service sector activity accelerated an index reading of 57.5. The U.S. economy added 211,000 jobs in April and the unemployment rate for April fell to 4.4%, which was the lowest unemployment rate since May 2007.

In terms of interest rates trends over the past few quarters, 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. Growing expectations for higher interest rates pushed Treasury yields higher in early-March, as the Federal Reserve Chairwoman signaled that the Federal Reserve was on course to raise short-term interest rates in the near future. The 10-year Treasury yield closed at 2.61% ahead of the mid-March meeting of the Federal Reserve, which was its highest yield in over two years. The Federal Reserve concluded its mid-March meeting by raising the federal funds rate by a quarter point to a range between 0.75% and 1% and signaled that additional gradual rate increases were ahead. Following the Federal Reserve meeting, long-term Treasury yields trended lower during the second half of March.

The rally in Treasury bonds continued during the first half of April 2017, with the 10-year Treasury yield declining to a low of 2.18%. Disappointing job growth reflected in the March employment data and investors moving into safe haven assets on news of the U.S. dropping a bomb on an Islamic State target in Afghanistan were noted factors contributing the rally in Treasury bonds. Long-term Treasury yields edged up slightly during the second half of April and into the first week of May. The Federal Reserve concluded its two-day policy meeting in early-May voting to hold its benchmark rate steady. As of May 5, 2017, the bond equivalent yields for U.S. Treasury bonds with terms of one and ten years equaled 1.10% and 2.36%, respectively, versus comparable year ago yields of 0.51% and 1.76%. Exhibit II-2 provides historical interest rate trends.

Based on the consensus outlook of economists surveyed by The Wall Street Journal in April 2017, GDP growth was projected to increase to 2.3% in 2017. The unemployment rate was forecasted to equal 4.6% in June 2017 and then decline slightly to equal 4.4% in December 2017. An average of 169,000 jobs were projected to be added per month during 2017. On average, the economists forecasted an increase in the federal funds rate to 1.07% in June 2017 and to 1.41% in December 2017. On average, the economists forecasted that the 10-year Treasury yield would increase to 2.59% in June 2017 and increase to 2.84% by the end of 2017. The surveyed economists also forecasted home prices would rise 4.8% in 2017 and housing starts were forecasted to continue to trend slightly higher in 2017.

The April 2017 mortgage finance forecast from the Mortgage Bankers Association (the "MBA") was for 2017 existing home sales to increase by 5.7% from 2016 sales and new home sales were forecasted to increase by 11.8% in 2017 from sales in 2016. The 2017 median sale prices for new and existing homes were forecasted to increase by 4.2% and 0.8%, respectively. Total mortgage production was forecasted to decline in 2017 to \$1.592 trillion, compared to

\$1.891 trillion in 2016. The forecasted decrease in 2017 originations was based on a 9.2% increase in purchase volume and a 43.3% decrease in refinancing volume. Purchase mortgage originations were forecasted to total \$1.081 trillion in 2017, versus refinancing volume totaling \$511 billion. Housing starts for 2017 were projected to increase by 8.2% to total \$1.273 million.

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)

<u>Employment Sector</u>	<u>New York</u> <u>(%)</u>	<u>Bronx</u> <u>New York</u> <u>(%)</u>	<u>Kings</u> <u>New York</u> <u>(%)</u>	<u>New York</u> <u>New York</u> <u>(%)</u>	<u>Queens</u> <u>New York</u> <u>(%)</u>	<u>Hudson</u> <u>New Jersey</u> <u>(%)</u>
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. March 2017 unemployment rates for the primary market area counties ranged from a low of 3.6% for New York County and Queens County to a high of 5.7% for Bronx County. With the exception of Bronx County, March 2017 unemployment rates for the primary market counties were lower than the comparable U.S. and New York unemployment rates of 4.5% and 4.3%, respectively. Consistent with the national trend, all of the primary market area counties and the state of New York reported lower unemployment rates for March 2017 compared to a year ago.

Table 2.4
Ponce Bank
Unemployment Trends

Region	Unemployment Rate		Net Change
	March 2016	March 2017	
USA	5.0%	4.5%	-0.5%
New York	4.8%	4.3%	-0.5%
Bronx, NY	7.4%	5.7%	-1.7%
Kings, NY	5.5%	4.2%	-1.3%
New York, NY	4.7%	3.6%	-1.1%
Queens, NY	4.7%	3.6%	-1.1%
Hudson, NJ	4.9%	3.9%	-1.0%

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

<u>Location</u>	<u>Name</u>	<u>Market Share (%)</u>	<u>Rank</u>
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 7.0% and positive reported and core earnings. Nine companies met the criteria for Screen #1 and seven were included in the Peer Group: Bay Bancorp, Inc. of Maryland, Clifton Bancorp, Inc. of New Jersey, Elmira Savings Bank of New York, Hamilton Bancorp, Inc. of Maryland, 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. PCSB Financial Corporation of New York was excluded due to its recent conversion status, as the result of completing its conversion in April 2017. 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 7.0% and positive reported and core earnings. Three companies met the criteria for Screen #2 and all three were included in the Peer Group: Coastway Bancorp Inc. of Rhode Island, PB Bancorp, Inc. of Connecticut and Wellesley 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.

Table 3.1
Peer Group of Publicly-Traded Thrifts
As of December 31, 2016

Ticker	Financial Institution	Exchange	City	State	Total Assets (\$Mil)	Offices	Fiscal Year End	Conv. Date	As of May 5, 2017	
									Stock Price (\$)	Market Value (\$Mil)
BYBK	Bay Bancorp, Inc.	NASDAQ	Columbia	MD	620	14	Dec	1/0/1900	7.05	74.33
CSBK	Clifton Bancorp Inc.	NASDAQ	Clifton	NJ	1,371	12	Mar	4/2/2014	16.31	375.52
CWAY	Coastway Bancorp, Inc.	NASDAQ	Warwick	RI	644	11	Dec	1/15/2014	20.20	88.73
ESBK	Elmira Savings Bank	NASDAQ	Elmira	NY	573	13	Dec	3/1/1985	20.80	68.72
HBK	Hamilton Bancorp, Inc.	NASDAQ	Towson	MD	500	7	Mar	10/10/2012	15.12	51.55
MLVF	Malvern Bancorp, Inc.	NASDAQ	Paoli	PA	879	9	Sep	10/12/2012	21.95	144.27
PBHC	Pathfinder Bancorp, Inc.	NASDAQ	Oswego	NY	749	17	Dec	10/17/2014	15.04	63.87
PBBI	PB Bancorp, Inc.	NASDAQ	Putnam	CT	521	8	Jun	10/5/2004	10.35	81.52
PBIP	Prudential Bancorp, Inc.	NASDAQ	Philadelphia	PA	590	11	Sep	10/10/2013	17.75	160.03
WEBK	Wellesley Bancorp, Inc.	NASDAQ	Wellesley	MA	695	6	Dec	1/26/2012	27.00	67.09

Source: SNL Financial, LC.

- Bay Bancorp, Inc. of Maryland. Comparable due to similar size of branch network, similar interest-bearing funding composition, 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, limited earnings contribution from sources of non-interest operating income 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, similar impact of loan loss provisions on earnings, 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-bearing funding composition, similar impact of loan loss provision on earnings and lending diversification emphasis on commercial real estate/multi-family loans.
- Hamilton Bancorp, Inc. of Maryland. Comparative due to similar interest-bearing funding composition, limited earnings contribution from sources of non-interest operating income 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, similar interest-bearing funding composition and lending diversification emphasis commercial real estate/multi-family loans.
- PB Bancorp, Inc. of Connecticut. Comparable due to similar concentration of 1-4 family loans as a percent of assets, similar impact of loan loss provisions on earnings 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 interest-earning asset composition, 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 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 (12.10% of assets versus 11.57% for all public companies), generated lower earnings as a percent of average assets (0.57% core ROAA versus 0.74% for all public companies), and earned a lower ROE (4.85% core ROE versus 6.12% 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
Financial Characteristics (Averages)		
Assets (\$Mil)	\$ 3,327	\$ 753
Market capitalization (\$Mil)	\$ 547	\$ 118
Tangible equity/assets (%)	11.57%	12.10%
Core return on average assets (%)	0.74	0.57
Core return on average equity (%)	6.12	4.85
Pricing Ratios (Averages)(1)		
Core price/earnings (x)	20.83x	20.02x
Price/tangible book (%)	145.09%	125.10%
Price/assets (%)	15.96	13.66

(1) Based on market prices as of May 5, 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 March 31, 2017 and December 31, 2016, respectively. Ponce Bank's equity-to-assets ratio of 11.89% was slightly lower than the Peer Group's average net worth ratio of 12.75%. 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 11.89% and 12.10%, 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

Table 3.2
Balance Sheet Composition and Growth Rates
Comparable Institution Analysis
As of December 31, 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																				
	March 31, 2017	2.10%	6.87%	0.00%	86.44%	83.42%	3.56%	0.00%	11.89%	0.00%	11.89%	9.28%	-22.14%	14.79%	7.41%	153.11%	2.11%	2.23%	13.08%	16.91%	18.16%
All Public Companies																					
	Averages	5.62%	16.39%	1.85%	72.51%	74.79%	10.97%	0.44%	12.65%	0.85%	11.57%	14.43%	3.79%	19.26%	16.77%	6.81%	13.41%	7.80%	11.98%	17.90%	19.02%
	Medians	4.03%	13.98%	1.82%	75.11%	75.08%	8.95%	0.00%	11.32%	0.34%	10.63%	9.14%	3.07%	13.10%	10.39%	0.43%	3.08%	2.56%	10.57%	14.51%	16.16%
State of NY																					
	Averages	5.03%	13.82%	1.31%	76.35%	77.59%	10.92%	0.82%	9.55%	1.16%	8.40%	5.91%	4.07%	6.43%	9.79%	-5.64%	5.81%	7.06%	9.04%	13.55%	14.58%
	Medians	3.44%	10.63%	1.48%	78.67%	81.73%	7.60%	0.37%	9.25%	0.59%	8.03%	2.83%	3.16%	4.25%	2.34%	-13.18%	2.46%	4.69%	9.20%	13.02%	14.16%
Comparable Group																					
	Averages	4.10%	18.29%	2.47%	71.52%	74.73%	11.28%	0.34%	12.75%	0.65%	12.10%	16.53%	13.27%	21.89%	19.48%	21.50%	5.38%	5.84%	11.79%	18.00%	19.05%
	Medians	3.93%	17.03%	2.37%	72.18%	75.06%	11.76%	0.00%	10.77%	0.24%	10.43%	15.71%	7.50%	18.11%	19.47%	14.09%	-1.19%	-2.87%	9.80%	13.18%	14.01%
Comparable Group																					
BYBK Bay Bancorp, Inc.	MD	6.45%	10.19%	2.54%	78.33%	84.87%	3.22%	0.00%	10.63%	0.49%	10.14%	26.29%	42.78%	22.60%	43.29%	-61.76%	-2.59%	-3.32%	10.45%	12.32%	12.87%
CSBK Clifton Bancorp Inc.	NJ	1.62%	24.20%	4.47%	68.32%	58.59%	18.41%	0.00%	22.10%	0.00%	22.10%	17.43%	-10.42%	33.79%	19.19%	71.77%	-9.24%	-9.24%	22.44%	40.08%	40.82%
CWAY Coastway Bancorp, Inc.	RI	6.93%	0.96%	0.69%	85.13%	69.44%	18.82%	0.00%	10.64%	0.00%	10.64%	13.99%	71.31%	12.84%	19.76%	4.98%	-3.31%	-3.31%	9.14%	13.20%	13.79%
ESBK Elmira Savings Bank	NY	4.24%	8.88%	2.37%	79.39%	81.88%	7.32%	0.00%	9.72%	2.15%	7.57%	2.16%	10.15%	0.98%	6.60%	-29.44%	1.74%	2.34%	8.24%	12.78%	13.96%
HBK Hamilton Bancorp, Inc.	MD	3.76%	21.69%	3.63%	65.89%	81.69%	5.24%	0.00%	12.14%	1.88%	10.26%	35.73%	13.71%	45.42%	41.27%	55.48%	0.05%	-4.19%	8.24%	12.07%	12.75%
MLVF Malvern Bancorp, Inc.	PA	7.20%	12.36%	2.11%	76.04%	74.93%	13.42%	0.00%	10.89%	0.00%	10.89%	20.88%	-26.14%	44.84%	23.18%	14.56%	15.82%	15.82%	11.11%	13.16%	14.06%
PBHC Pathfinder Bancorp, Inc.	NY	2.99%	26.68%	1.53%	64.87%	81.57%	7.87%	2.01%	7.79%	0.63%	7.16%	20.18%	38.13%	14.40%	24.61%	31.41%	18.07%	-19.33%	8.59%	13.34%	14.52%
PBBI PB Bancorp, Inc.	CT	1.98%	37.20%	2.38%	54.94%	69.96%	12.53%	0.00%	16.45%	1.33%	15.12%	3.87%	-14.52%	21.82%	-6.02%	13.62%	66.03%	76.25%	12.31%	19.35%	20.20%
PBIP Prudential Bancorp, Inc.	PA	1.68%	30.56%	3.94%	59.22%	69.18%	10.98%	0.00%	19.17%	0.00%	19.17%	12.88%	4.85%	8.58%	10.15%	103.20%	-2.43%	-2.43%	19.20%	33.12%	34.16%
WEBK Wellesley Bancorp, Inc.	MA	4.10%	10.13%	1.05%	83.07%	75.19%	15.00%	1.41%	7.94%	0.00%	7.94%	11.93%	2.80%	13.60%	12.74%	11.16%	5.82%	5.82%	8.21%	10.57%	13.35%

(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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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 86.44% was higher than the comparable Peer Group ratio of 71.52%. Comparatively, the Bank's cash and investments-to-assets ratio of 8.97% was lower than the comparable Peer Group ratio of 22.39%. Overall, Ponce Bank's interest-earning assets amounted to 95.41% of assets, which was slightly higher than the comparable Peer Group ratio of 93.91%. The Peer Group's non-interest earning assets included bank-owned life insurance ("BOLI") equal to 2.47% of assets and goodwill/intangibles equal to 0.65% 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 83.42% of assets, which was above the Peer Group's ratio of 74.73%. Comparatively, the Bank maintained a lower level of borrowings to fund assets, as indicated by borrowings-to-assets ratios of 3.56% and 11.62% 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 86.98% and 86.35%, 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 109.69% and 108.76%, respectively. The additional capital realized from stock proceeds should serve to provide Ponce Bank with an IEA/IBL ratio that more significantly 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 growth rates are based on annualized growth for the fifteen months ended March 31, 2017 and the Peer Group's growth rates are based on growth for the twelve months ended December 31, 2016. Ponce Bank recorded a 9.28% increase in assets, versus asset growth of 16.53% recorded by the Peer Group. The Peer Group's higher growth rate was in part due to acquisition related growth by Bay Bancorp, Inc. and Prudential Bancorp, Inc. Asset

growth for Ponce Bank was driven by a 14.79% increase in loans, which was in part funded by a 22.14% reduction in cash and investments. Comparatively, asset growth for the Peer Group was driven by a 21.89% increase in loans and was supplemented with a 13.27% increase in cash and investments.

Asset growth for Ponce Bank was funded by a 7.41% increase in deposits and a 153.11% increase in borrowings. Asset growth for the Peer Group was funded through deposit growth of 19.48% and a 21.50% increase in borrowings. The Bank's tangible capital increased 2.23%, which was largely attributable to retention of earnings. Comparatively, the Peer Group's tangible capital increased 5.84%, 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 March 31, 2017 and December 31, 2016, respectively. Ponce Bank and the Peer Group reported net income to average assets ratios of 0.16% and 0.54%, 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 (4.82% 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 (0.77% 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 3.79% and 2.83%, respectively.

Table 3.3
Income as Percent of Average Assets and Yields, Costs, Spreads
Comparable Institution Analysis
For the 12 Months Ended December 31, 2016

		Net Interest Income					Non-Interest Income			Non-Op. Items		Yields, Costs, and Spreads				MEMO: Assets/ FTE Emp.	MEMO: Effective Tax Rate	
		Net Income (%)	Income (%)	Expense (%)	NII (%)	Loss Provis. on IEA (%)	NII After Provis. (%)	Gain on Sale of Loans (%)	Other Non-Int Income (%)	Total Non-Int Expense (%)	Net Gains/ Losses (1) (%)	Extrao. Items (%)	Provision for Taxes (%)	Yield On IEA (%)	Cost Of IBL (%)			Yld-Cost Spread (%)
Ponce Bank	NY																	
March 31, 2017		0.16%	4.60%	0.81%	3.79%	0.07%	3.71%	0.00%	0.36%	3.80%	0.00%	0.00%	0.12%	4.82%	1.06%	3.76%	\$ 4,442	42.16%
All Public Thrifts																		
Averages		0.74%	3.53%	0.59%	2.94%	0.08%	2.85%	0.41%	0.52%	2.77%	0.00%	0.00%	0.28%	3.76%	0.77%	3.00%	\$ 7,199	24.62%
Medians		0.68%	3.53%	0.57%	2.92%	0.08%	2.84%	0.05%	0.44%	2.66%	0.00%	0.00%	0.30%	3.72%	0.76%	2.95%	\$ 5,935	33.49%
State of NY																		
Averages		0.65%	3.54%	0.70%	2.83%	0.05%	2.78%	0.22%	0.41%	2.53%	0.17%	0.00%	0.41%	3.73%	0.83%	2.90%	\$ 7,954	33.06%
Medians		0.77%	3.54%	0.77%	2.91%	0.06%	2.83%	0.00%	0.47%	2.75%	0.02%	0.00%	0.35%	3.73%	0.92%	2.87%	\$ 5,710	31.42%
Comparable Group																		
Averages		0.54%	3.47%	0.65%	2.83%	0.14%	2.68%	0.13%	0.35%	2.57%	0.02%	0.01%	0.12%	3.69%	0.77%	2.98%	\$ 6,410	18.51%
Medians		0.47%	3.45%	0.62%	2.83%	0.12%	2.69%	0.02%	0.30%	2.54%	0.01%	0.00%	0.17%	3.66%	0.72%	3.07%	\$ 5,222	31.08%
Comparable Group																		
BYBK Bay Bancorp, Inc.	MD	0.37%	4.29%	0.34%	3.95%	0.26%	3.69%	0.16%	0.67%	4.00%	-0.03%	0.07%	0.19%	4.50%	0.50%	4.00%	\$ 4,734	38.61%
CSBK Clifton Bancorp Inc.	NJ	0.34%	3.04%	0.86%	2.18%	0.17%	2.01%	0.00%	0.14%	1.67%	0.01%	0.00%	0.15%	3.26%	1.18%	2.08%	\$10,715	30.75%
CWAY Coastway Bancorp, Inc.	RI	0.58%	3.55%	0.47%	3.08%	0.08%	3.00%	0.55%	0.38%	3.36%	0.00%	0.00%	0.38%	3.81%	0.70%	3.11%	\$ 4,486	39.53%
ESBK Elmira Savings Bank	NY	0.77%	3.68%	0.77%	2.91%	0.09%	2.83%	0.54%	0.47%	2.75%	0.03%	0.00%	0.35%	4.05%	1.00%	3.05%	\$ 4,589	31.42%
HBK Hamilton Bancorp, Inc.	MD	0.03%	3.31%	0.57%	2.74%	0.27%	2.47%	0.00%	0.22%	2.55%	-0.10%	0.00%	0.01%	3.60%	0.73%	2.87%	\$ 6,781	16.33%
MLVF Malvern Bancorp, Inc.	PA	1.49%	3.37%	0.90%	2.47%	0.20%	2.27%	0.02%	0.21%	1.78%	0.05%	0.00%	-0.72%	3.57%	1.08%	2.49%	\$10,847	-93.11%
PBHC Pathfinder Bancorp, Inc.	NY	0.48%	3.54%	0.56%	2.98%	0.14%	2.84%	0.00%	0.53%	2.81%	0.09%	0.00%	0.16%	3.73%	0.55%	3.18%	\$ 5,710	25.20%
PBBI PB Bancorp, Inc.	CT	0.31%	2.87%	0.63%	2.24%	0.10%	2.14%	0.01%	0.46%	2.29%	0.09%	0.00%	0.11%	3.04%	0.62%	2.42%	\$ 3,010	26.21%
PBIP Prudential Bancorp, Inc.	PA	0.55%	3.25%	0.61%	2.64%	0.07%	2.56%	0.01%	0.17%	1.96%	0.02%	0.00%	0.26%	3.38%	0.43%	3.46%	\$ 3,594	31.67%
WEBK Wellesley Bancorp, Inc.	MA	0.45%	3.84%	0.76%	3.08%	0.07%	3.01%	0.04%	0.22%	2.54%	0.00%	0.00%	0.28%	3.95%	0.86%	3.09%	\$ 9,631	38.50%

(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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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 3.80% and 2.57%, 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 \$4.442 million for the Bank, versus \$6.410 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 1.10x, respectively.

Sources of non-interest operating income provided a larger contribution to the Peer Group's earnings, with such income amounting to 0.36% and 0.48% 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 91.57% was less favorable than the Peer Group's efficiency ratio of 77.64%.

Loan loss provisions had a larger impact on the Peer Group's earnings, with loan loss provisions established by the Peer Group equaling 0.14% of average assets. Comparatively, the Bank recorded loan loss provisions equal to 0.07% of average assets.

Net non-operating gains equaled 0.02% 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 42.16% and 18.51%, 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 (43.75% of assets versus 51.58% for the Peer Group), as the Peer Group's higher concentration of mortgage-backed securities was only slightly 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 4.24% 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 (20.58% of assets versus 2.70% for the Peer Group). Commercial real estate loans constituted the most significant type of lending diversification for the Peer Group (18.43% of assets versus 17.87% 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 44.91% and 30.72% 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 75.08%, versus a comparable Peer Group ratio of 60.72%.

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. However, the Bank maintained a slightly advantage with respect to its lower ratio of non-interest earning assets as a percent of assets. 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

Table 3.4
Loan Portfolio Composition and Related Information
Comparable Institution Analysis
As of December 31, 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	1.27%	42.48%	4.78%	20.58%	17.87%	1.58%	0.10%	75.08%	\$ 0	\$ 0	
	March 31, 2017											
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	5.08%	31.71%	1.42%	18.65%	12.85%	3.31%	0.90%	66.55%	\$3,108,671	\$33,843	
	Medians	5.21%	24.91%	0.74%	2.31%	13.35%	1.73%	0.03%	68.93%	\$ 26,428	\$ 193	
Comparable Group												
	Averages	10.44%	41.14%	4.02%	2.70%	18.43%	4.71%	0.86%	60.72%	\$ 31,930	\$ 232	
	Medians	8.40%	39.51%	3.16%	2.18%	16.06%	4.55%	0.26%	61.88%	\$ 2,705	\$ 20	
Comparable Group												
BYBK	Bay Bancorp Inc.	MD	5.15%	31.47%	4.20%	2.77%	30.56%	9.46%	0.33%	82.51%	\$ 5,410	\$ 0
CSBK	Clifton Bancorp Inc	NJ	19.35%	47.98%	0.00%	8.86%	11.75%	0.10%	0.04%	55.16%	\$ 0	\$ 0
CWAY	Coastway Bncp, Inc.	RI	0.00%	55.80%	1.73%	0.96%	22.17%	4.67%	0.18%	71.36%	\$ 0	\$ 0
ESBK	Elmira Savings Bank	NY	2.71%	55.17%	1.62%	2.52%	10.90%	3.78%	6.15%	48.92%	\$ 254,086	\$ 1,748
HBK	Hamilton Bancorp Inc	MD	16.36%	38.04%	3.17%	1.95%	18.27%	4.44%	0.49%	12.82%	\$ 0	\$ 0
MLVF	Malvern Bancorp Inc	PA	2.56%	30.63%	4.37%	2.25%	33.21%	6.10%	0.19%	79.30%	\$ 0	\$ 313
PBHC	Pathfinder Bancorp Inc.	NY	11.65%	29.80%	5.41%	2.10%	17.13%	9.14%	0.78%	65.33%	\$ 17,034	\$ 40
PBBI	PB Bancorp Inc.	CT	28.34%	40.52%	0.76%	1.02%	10.42%	2.35%	0.13%	56.95%	\$ 27,051	\$ 99
PBIP	Prudential Bancorp Inc.	PA	15.80%	38.51%	3.15%	2.09%	14.98%	0.00%	0.33%	58.43%	\$ 0	\$ 0
WEBK	Wellesley Bancorp	MA	2.45%	43.52%	15.81%	2.48%	14.92%	7.10%	0.02%	76.38%	\$ 15,716	\$ 122

(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 December 31, 2016

		Balance Sheet Measures			Quarterly Change in Net Interest Income					
		Tangible	IEA/	Non-IEA						
		Equity/ Assets (%)	IBL (%)	Assets/ Assets (%)	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015	9/30/2015
(change in net interest income is annualized in basis points)										
Ponce Bank	NY									
March 31, 2017		11.9%	109.7%	4.6%	1	-8	-36	16	3	-5
All Public Companies		11.7%	129.0%	7.4%	0	-1	2	-5	1	3
State of NY		8.5%	116.9%	6.4%	-5	-1	-1	-3	5	-1
Comparable Group										
Average		12.1%	109.0%	6.1%	-5	1	1	-9	1	2
Median		10.5%	107.0%	5.9%	-5	4	1	-4	-2	2
Comparable Group										
BYBK Bay Bancorp, Inc.	MD	10.1%	107.8%	5.0%	16	-40	14	-31	-16	-13
CSBK Clifton Bancorp Inc.	NJ	22.1%	122.3%	5.9%	-6	-2	-2	-1	-4	2
CWAY Coastway Bancorp, Inc.	RI	10.6%	105.4%	7.0%	-15	1	-2	2	-4	3
ESBK Elmira Savings Bank	NY	7.6%	103.7%	7.5%	-3	8	-5	-1	25	-3
HBK Hamilton Bancorp, Inc.	MD	10.3%	105.1%	8.7%	10	4	1	-29	21	4
MLVF Malvern Bancorp, Inc.	PA	10.9%	108.2%	4.4%	-3	10	3	-7	2	2
PBHC Pathfinder Bancorp, Inc.	NY	7.2%	103.4%	5.5%	-33	14	1	-8	-13	6
PBBI PB Bancorp, Inc.	CT	15.1%	114.1%	5.9%	6	6	6	-1	0	8
PBIP Prudential Bancorp, Inc.	PA	19.2%	114.1%	8.5%	-10	2	1	4	-4	15
WEBK Wellesley Bancorp, Inc.	MA	7.9%	106.2%	2.7%	-11	4	-2	-16	6	-7

NA=Change is greater than 100 basis points during the quarter.

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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 3.29% and 3.77%, respectively, versus comparable measures of 1.33% and 1.73% 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 March 31, 2017. The Bank's and the Peer Group's loss reserves as a percent of non-performing loans equaled 40.06% and 132.56%, respectively. Loss reserves maintained as percent of loans receivable equaled 1.51% for the Bank, versus 0.82% 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 0.08% loans. Comparatively, the Bank recorded a net recovery equal to 0.05% 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

Table 3.6
Credit Risk Measures and Related Information
Comparable Institution Analysis
As of December 31, 2016

		REO/ Assets (%)	NPA & 90+Del/ Assets (1) (%)	Adj NPA & 90+Del/ Assets (2) (%)	NPLs/ Loans (1) (%)	Rsrvs/ Loans HFI (%)	Rsrvs/ NPLs (1) (%)	Rsrvs/ NPA & 90+Del (1) (%)	Net Loan Chargeoffs (3) (\$000)	NLCs/ Loans (%)
Ponce Bank	NY									
March 31, 2017		0.00%	3.29%	0.98%	3.77%	1.51%	40.06%	40.06%	-\$ 366	-0.05%
All Public Companies										
Averages		0.07%	0.98%	0.66%	1.23%	0.97%	124.02%	110.03%	\$ 1,507	0.05%
Medians		0.03%	0.82%	0.48%	1.02%	0.92%	89.91%	81.12%	\$ 168	0.02%
State of NY										
Averages		0.08%	0.94%	0.60%	1.19%	0.78%	112.43%	96.00%	\$ 874	0.04%
Medians		0.06%	0.88%	0.66%	1.08%	0.73%	84.75%	80.56%	\$ 392	0.00%
Comparable Group										
Averages		0.10%	1.33%	1.02%	1.73%	0.82%	132.56%	126.57%	\$ 301	0.08%
Medians		0.07%	1.14%	0.75%	1.49%	0.92%	60.87%	49.68%	\$ 249	0.05%
Comparable Group										
BYBK Bay Bancorp, Inc.	MD	0.20%	2.55%	2.47%	2.49%	0.58%	23.16%	17.83%	\$ 339	0.08%
CSBK Clifton Bancorp Inc.	NJ	0.05%	0.39%	0.30%	0.49%	0.59%	120.28%	103.91%	\$ 322	0.04%
CWAY Coastway Bancorp, Inc.	RI	0.07%	2.08%	0.79%	2.35%	0.47%	19.22%	18.62%	\$ 176	0.03%
ESBK Elmira Savings Bank	NY	0.05%	0.92%	0.92%	1.09%	0.94%	84.75%	80.56%	\$ 372	0.08%
HBK Hamilton Bancorp, Inc.	MD	0.09%	1.08%	0.70%	1.49%	0.62%	41.90%	38.32%	\$ 1,247	0.44%
MLVF Malvern Bancorp, Inc.	PA	0.00%	0.38%	0.22%	0.48%	0.92%	190.00%	183.19%	\$ 6	0.00%
PBHC Pathfinder Bancorp, Inc.	NY	0.08%	1.46%	0.72%	2.10%	1.27%	60.40%	57.11%	\$ 412	0.09%
PBBI PB Bancorp, Inc.	CT	0.37%	1.20%	1.20%	1.50%	0.92%	61.34%	42.26%	\$ 141	0.06%
PBIP Prudential Bancorp, Inc.	PA	0.10%	3.17%	2.83%	5.13%	0.98%	19.09%	18.49%	(\$ 125)	-0.04%
WEBK Wellesley Bancorp, Inc.	MA	0.00%	0.11%	0.09%	0.13%	0.93%	705.45%	705.45%	\$ 117	0.02%

- (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.

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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 the twelve months ended March 31, 2017. 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 (22.39% of assets versus 8.97% 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 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 (0.16% of average assets versus 0.54% 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 1.10x for the Peer Group). Similarly, the Bank's

efficiency ratio of 91.57% was less favorable than the Peer Group's efficiency ratio of 77.64%. 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 (0.14% of average assets versus 0.07% 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 9.28% increase in the Bank's assets, versus a 16.53% 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 14.79% increase in loans, which was partially funded with cash and investments. The Peer Group's asset growth was primarily sustained by a 21.89% 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 (99.2% 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)

	<u>County</u>	<u>March 2017 Unemployment</u>
Ponce Bank - NY	Bronx	5.7%
Peer Group Average		4.8
<u>The Peer Group</u>		
Bay Bancorp, Inc. – MD	Howard	3.2
Clifton Bancorp, Inc. - NJ	Passaic	5.4
Coastway Bancorp, Inc. – RI	Kent	4.1
Elmira Savings Bank – NY	Chemung	5.5
Hamilton Bancorp, Inc. – MD	Baltimore	4.6
Malvern Bancorp, Inc. - PA	Chester	3.5
Pathfinder Bancorp, Inc. – NY	Ocean	6.5
PB Bancorp, Inc. – CT	Windham	5.7
Prudential Bancorp, Inc. – PA	Philadelphia	6.0
Wellesley Bancorp, Inc. – MA	Norfolk	3.3

(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 0.59% to 4.42%. The average dividend yield on the stocks of the Peer Group institutions equaled 1.00% as of May 5, 2017. Comparatively, as of May 5, 2017, the average dividend yield on the stocks of all fully-converted publicly-traded thrifts equaled 1.66%.

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 \$51.6 million to \$375.5 million as of May 5, 2017, with average and median market values of \$117.6 million and \$77.9 million, respectively. The shares issued and outstanding of the Peer Group companies ranged from 2.5 million to 23.0 million, with average and median shares outstanding of 7.5 million and 5.5 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 value and average 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 May 5, 2017.

In terms of assessing general stock market conditions, the overall stock market has trended higher in recent quarters. 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 Dow Jones Industrial Average (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 2017, as the DJIA notched twelve consecutive highs through February 27, 2017. The streak of consecutive gains in the DJIA ended on the last day of February, which was followed by a surge in U.S. stock market indexes at the start of March. On March 1, 2017, the DJIA posted a gain of over 300 points and closed above 21000 for the first time as investors embraced optimism from President Trump's State of the Union address and signals from the Federal Reserve that they were growing confident enough in the U.S. economy to raise short-term interest rates in the near future. Stocks retreated following the record breaking day for the DJIA, with energy shares

leading the decline as a supply glut of oil sent oil prices for lower for seven consecutive sessions going into mid-March. The Federal Reserve's decision to raise its benchmark federal funds rate by a quarter helped to propel stocks higher at the conclusion of its mid-March meeting. Stocks reversed course during the second half of March, as the DJIA fell for eight consecutive trading sessions. Stocks that led the post-election rally, such as financial and infrastructure companies, were among the biggest decliners, amid political uncertainty over the fate of President Trump's pro-business growth agenda and deregulation of the financial industry after Republicans pulled their healthcare bill from the House floor due to lack of adequate support.

The downward trend in the broader stock market continued during the first half of April 2017, with geopolitical uncertainty and weaker-than-expected job growth reflected in the March employment contributing to the pullback. Stocks rallied during the second half of April, led by a rebound in financial and industrial shares. Easing geopolitical concerns, a series of upbeat first quarter earnings reports and a victory by a centrist candidate in the first round of France's presidential election were among the factors that supported the rally. The broader market traded in a narrow range at the end of April and into early-May, as gains in technology and industrial companies offset losses in the energy sector. A slightly stronger-than-expected jobs report for April helped to lift the S&P 500 index and the NASDAQ Composite index to record highs at the close of the first week of May. On May 5, 2017, the DJIA closed at 21006.94, an increase of 18.4% from one year ago and an increase of 6.3% year-to-date, and the NASDAQ Composite index closed at 6100.76, an increase of 28.8% from one year ago and an increase of 13.3% year-to-date. The S&P 500 Index closed at 2399.29 on May 5, 2017, an increase of 16.6% from one year ago and an increase of 7.7% year-to-date.

The market for thrift stocks has also generally trended higher in recent quarters. 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. Financial shares spiked higher at the start of March, which was followed by general downward trend in thrift stocks through the first half of March. Thrift shares declined sharply along with the broader stock market heading into the close of the first quarter, amid growing uncertainty of how successful the Trump administration would be in pushing its agenda through Congress. A fresh round of upbeat economic data contributed to a rebound in thrift stocks at the close of the first quarter.

Financial shares led the broader stock market lower during the first half of April 2017, as investors pulled back from sectors that led the post-election rally in favor of technology stocks. Some favorable first quarter earnings reports posted by large banks and deal activity in the financial sector bolstered thrift stocks in the final week of April. Thrift shares traded in tight range throughout the first week of May. On May 5, 2017, the SNL Index for all publicly-traded thrifts closed at 911.9, an increase of 16.9% from one year ago and a decrease of 5.7% 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, one standard conversion offering and one first-step MHC offering were completed during the past three months. For purposes of our analysis, the first-step MHC offering is considered to be more relevant. The first-step MHC offering was completed by Community First Bancshares of Georgia, which completed its mutual holding company offering on April 28, 2017. Community First Bancshares' offering was closed at the top of its offering range equal to gross proceeds of \$34.7 million and a pro forma fully-converted price/tangible book ratio of 68.5%. After the first week of trading, Community First Bancshares' stock price was up 33.7% from its IPO price.

Shown in Table 4.3 is the current pricing ratios for PCSB Financial Corporation, which was the only fully-converted offering completed during the past three months that trades on NASDAQ. PCSB Financial's current P/TB ratio is 115.35%, based on its closing stock price as of May 5, 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 are currently three acquisitions 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

Table 4.2
Pricing Characteristics and After-Market Trends
Conversions Completed in the Last Three Months

Institutional Information			Pre-Conversion Data				Contribution to				Insider Purchases				Pro Forma Data				Post-IPO Pricing Trends													
Institution	Conversion Date	Ticker	Financial Info.		Asset Quality		Offering Information		Char. Found.		% Off Incl. Fdn.+Merger Shares		Pricing Ratios(2)(5)		Financial Charac.		Closing Price:															
			Assets (\$Mil)	Assets (%)	NPAs/ Assets (%)	Res. Cov. (%)	Gross Prc. (\$Mil)	% Offer (%)	% of Exp./ Mid. (%)	Exp./ Prc. (%)	Public Off. Form	Inc. Fdn. (%)	ESOP (%)	Recog. Plans (%)	Stk Option (%)	Mgmt. & Dir. (%)	Div. Yield (%)	P/TB (%)	Core P/E (x)	Core P/A (%)	Core ROA (%)	TE/A (%)	Core ROE (%)	IPO Price (\$)	First Trading Day (\$)	% Chge (%)	After First Week(3) (\$)	% Chge (%)	After First Month(4) (\$)	% Chge (%)	Thru 5/5/2017 (\$)	% Chge (%)
Standard Conversions																																
PCSB Financial Corporation - NY*																																
	4/21/17	PCSB-NASDAQ	\$1,241	9.09%	0.88%	53%	\$178.3	98%	102%	1.8%	S/C	2.8%	8.0%	4.0%	10.0%	1.4%	0.00%	70.1%	83.2x	13.0%	0.2%	18.7%	0.8%	\$10.00	\$16.46	64.6%	\$16.31	63.1%	\$16.46	64.6%	\$16.46	64.6%
Averages - Standard Conversions:			\$1,241	9.09%	0.88%	53%	\$178.3	98%	102%	1.8%	N.A.	2.8%	8.0%	4.0%	10.0%	1.4%	0.00%	70.1%	83.2x	13.0%	0.2%	18.7%	0.8%	\$10.00	\$16.46	64.6%	\$16.31	63.1%	\$16.46	64.6%	\$16.46	64.6%
Medians - Standard Conversions:			\$1,241	9.09%	0.88%	53%	\$178.3	98%	102%	1.8%	N.A.	2.8%	8.0%	4.0%	10.0%	1.4%	0.00%	70.1%	83.2x	13.0%	0.2%	18.7%	0.8%	\$10.00	\$16.46	64.6%	\$16.31	63.1%	\$16.46	64.6%	\$16.46	64.6%
Mutual Holding Companies																																
Community First Bancshares, Inc. - GA*																																
	4/28/17	CFBI-NASDAQ	\$238	19.10%	2.05%	95%	\$34.7	54%	132%	4.0%	N.A.	N.A.	3.9%	2.0%	4.9%	2.1%	0.00%	68.5%	73.0x	24.9%	0.3%	36.4%	0.9%	\$10.00	\$13.29	32.9%	\$13.37	33.7%	\$13.37	33.7%	\$13.37	33.7%
Averages - MHC Conversions:			\$238	19.10%	2.05%	95%	\$34.7	54%	132%	4.0%	N.A.	N.A.	3.9%	2.0%	4.9%	2.1%	0.00%	68.5%	73.0x	24.9%	0.3%	36.4%	0.9%	\$10.00	\$13.29	32.9%	\$13.37	33.7%	\$13.37	33.7%	\$13.37	33.7%
Medians - MHC Conversions:			\$238	19.10%	2.05%	95%	\$34.7	54%	132%	4.0%	N.A.	N.A.	3.9%	2.0%	4.9%	2.1%	0.00%	68.5%	73.0x	24.9%	0.3%	36.4%	0.9%	\$10.00	\$13.29	32.9%	\$13.37	33.7%	\$13.37	33.7%	\$13.37	33.7%
Averages - All Conversions:			\$739	14.09%	1.47%	74%	\$106.5	76%	117%	2.9%	N.A.	N.A.	6.0%	3.0%	7.5%	1.7%	0.00%	69.3%	78.1x	19.0%	0.2%	27.5%	0.9%	\$10.00	\$14.88	48.8%	\$14.84	48.4%	\$14.92	49.2%	\$14.92	49.2%
Medians - All Conversions:			\$739	14.09%	1.47%	74%	\$106.5	76%	117%	2.9%	N.A.	N.A.	6.0%	3.0%	7.5%	1.7%	0.00%	69.3%	78.1x	19.0%	0.2%	27.5%	0.9%	\$10.00	\$14.88	48.8%	\$14.84	48.4%	\$14.92	49.2%	\$14.92	49.2%

Note:* - Appraisal performed by RP Financial; BOLD = RP Fin. Did the business plan, "NT" - Not Traded; "NA" - Not Applicable, Not Available; C/S-Cash/Stock.

- (1) As a percent of MHC offering for MHC transactions.
- (2) Does not take into account the adoption of SOP 93-6.
- (3) Latest price if offering is less than one week old.
- (4) Latest price if offering is more than one week but less than one month old.
- (5) Mutual holding company pro forma data on full conversion basis.
- (6) Simultaneously completed acquisition of another financial institution.
- (7) Simultaneously converted to a commercial bank charter.
- (8) Former credit union.

Table 4.3
Market Pricing Comparatives
As of May 5, 2017

	Market Capitalization		Per Share Data				Pricing Ratios(2)					Dividends(3)			Financial Characteristics(5)							
	Price/Share	Market Value	12 Month EPS(1)	Core Value/Share	P/E	P/B	P/A	P/TB	P/Core	Amount/Share	Yield	Payout Ratio(4)	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	\$22.35	\$546.69	\$ 1.03	\$16.64	20.24x	131.15%	15.96%	145.09%	20.83x	\$ 0.37	1.66%	56.54%	\$3,327	12.60%	11.54%	0.96%	0.74%	6.30%	0.74%	6.12%		
Median	\$17.55	\$161.01	\$ 0.77	\$14.81	18.98x	126.65%	15.60%	130.77%	20.11x	\$ 0.26	1.36%	45.58%	\$1,081	11.57%	10.67%	0.84%	0.63%	5.99%	0.64%	5.68%		
Comparable Group																						
Averages	\$16.46	\$299.00	\$ 0.12	\$14.64	102.88x	112.43%	21.45%	115.35%	137.17x	\$ 0.00	0.00%	0.00%	\$1,394	19.10%	18.60%	1.40%	0.20%	1.07%	0.16%	0.82%		
Medians	\$16.46	\$299.00	\$ 0.12	\$14.64	102.88x	112.43%	21.45%	115.35%	137.17x	\$ 0.00	0.00%	0.00%	\$1,394	19.10%	18.60%	1.40%	0.20%	1.07%	0.16%	0.82%		
Comparable Group																						
PCSB PCSB Financial Corporation NY																						
	\$16.46	\$299.00	\$ 0.12	\$14.64	102.88x	112.43%	21.45%	115.35%	137.17x	\$ 0.00	0.00%	0.00%	\$1,394	19.10%	18.60%	1.40%	0.20%	1.07%	0.16%	0.82%		

- (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.

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 May 5, 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 \$1.180 million for the twelve months ended March 31, 2017 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 200.51 times, which provided for premiums of 882.41% and 901.55% relative to the Peer Group's average reported and core P/E multiples of 20.41 times and 20.02 times, respectively (see Table 4.4). In comparison to the Peer Group's median reported and core earnings multiples which equaled 19.64 times and 20.31 times, respectively, the Bank's pro forma reported and core P/E multiples (fully-converted basis) at the midpoint value indicated premiums of 920.93% and 887.25%, respectively. The Bank's pro forma P/E ratios (fully-converted basis) at the minimum and the super maximum equaled 155.06 times and 337.02 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 162.69 times (see Table 4.5). The Bank's reported and core P/E multiples provided for premiums of 697.11% and 712.64% relative to the Peer Group's average reported and core P/E multiples of 20.41 times and 20.02 times, respectively. In comparison to the Peer Group's median reported and core earnings multiples which equaled 19.64 times and 20.31 times, respectively, the Bank's pro forma reported and core P/E multiples (MHC basis) at the midpoint value indicated premiums of 728.36% and 701.03%, respectively. The Bank's pro forma P/E ratios (MHC basis) at the minimum and the super maximum equaled 132.02 times and 239.08 times, respectively.

Table 4.4
Fully-Converted Market Pricing Versus Peer Group
Ponce Bank
As of May 5, 2017

	Market Capitalization	Per Share Data				Pricing Ratios(2)							Dividends(3)			Financial Characteristics(5)						
		Price/Share (\$)	Market Value (\$Mil)	Core		P/E (x)	P/B (%)	P/A (%)	P/TB (%)	P/Core (x)	Amount/Share (\$)	Yield (%)	Payout Ratio(4) (%)	Total Assets (\$Mil)	Comm Eq./Assets (%)	Comm T. Eq./Assets (%)	NPAs/Assets (%)	Reported		Core		
				12 Month EPS(1) (\$)	Book Value/Share (\$)													ROAA (%)	ROAE (%)	ROAA (%)	ROAE (%)	
Ponce Bank																						
NY																						
Super Maximum	\$10.00	\$ 184.63	\$ 0.03	\$13.31	337.02x	75.13%	19.67%	75.13%	337.02x	\$ 0.00	0.00%	0.00%	\$ 938	26.18%	26.18%	2.76%	0.06%	0.22%	0.06%	0.22%		
Maximum	\$10.00	\$ 160.55	\$ 0.04	\$14.05	255.97x	71.17%	17.48%	71.17%	255.97x	\$ 0.00	0.00%	0.00%	\$ 918	24.57%	24.57%	2.82%	0.07%	0.28%	0.07%	0.28%		
Midpoint	\$10.00	\$ 139.61	\$ 0.05	\$14.91	200.51x	67.07%	15.50%	67.07%	200.51x	\$ 0.00	0.00%	0.00%	\$ 901	23.10%	23.10%	2.87%	0.08%	0.33%	0.08%	0.33%		
Minimum	\$10.00	\$ 118.67	\$ 0.06	\$16.07	155.06x	62.23%	13.43%	62.23%	155.06x	\$ 0.00	0.00%	0.00%	\$ 883	21.58%	21.58%	2.93%	0.09%	0.40%	0.09%	0.40%		
All Non-MHC Public Companies(6)																						
Averages	\$22.35	\$ 546.69	\$ 1.03	\$16.64	20.24x	131.15%	15.96%	145.09%	20.83x	\$ 0.37	1.66%	56.54%	\$ 3,327	12.60%	11.54%	0.96%	0.74%	6.30%	0.74%	6.12%		
Median	\$17.55	\$ 161.01	\$ 0.77	\$14.81	18.98x	126.65%	15.60%	130.77%	20.11x	\$ 0.26	1.36%	45.58%	\$ 1,081	11.57%	10.67%	0.84%	0.63%	5.99%	0.64%	5.68%		
All Non-MHC State of NY(6)																						
Averages	\$14.00	\$1,055.81	\$ 0.55	\$11.62	20.10x	137.75%	10.27%	157.37%	17.24x	\$ 0.44	2.84%	57.51%	\$ 7,945	9.55%	8.49%	1.16%	0.53%	5.26%	0.52%	5.28%		
Medians	\$15.03	\$ 183.86	\$ 0.78	\$13.98	18.00x	123.67%	10.48%	168.51%	17.44x	\$ 0.41	3.09%	61.54%	\$ 1,105	9.19%	8.31%	0.85%	0.58%	6.04%	0.74%	7.62%		
State of NY(1)																						
CARV	Carver Bancorp, Inc.	NY	\$ 4.00	\$ 14.78	\$ (0.64)	\$ 1.71	NM	234.56%	2.26%	234.56%	NM	\$ 0.00	0.00%	NM	\$ 699	7.36%	7.36%	2.41%	-0.28%	-3.76%	-0.30%	-3.91%
DCOM	Dime Community Bancshares, Inc.	NY	\$19.50	\$ 732.60	\$ 1.12	\$15.26	21.43x	127.80%	12.02%	141.54%	17.44x	\$ 0.56	2.87%	61.54%	\$ 6,095	9.40%	8.57%	0.23%	0.58%	6.04%	0.71%	7.36%
ESBK	Elmira Savings Bank	NY	\$20.80	\$ 68.72	\$ 1.28	\$16.82	16.38x	123.67%	10.48%	168.51%	16.29x	\$ 0.92	4.42%	72.44%	\$ 557	10.08%	8.04%	NA	0.77%	7.82%	0.78%	7.88%
FSCB	FSB Bancorp, Inc.	NY	\$15.02	\$ 29.16	NA	\$16.43	33.00x	91.44%	10.19%	91.44%	NM	NA	NA	NM	\$ 286	11.14%	11.14%	NA	0.33%	3.14%	NA	NA
NYCB	New York Community Bancorp, Inc.	NY	\$13.24	\$6,475.16	NA	\$12.57	13.79x	105.36%	13.40%	174.59%	NM	\$ 0.68	5.14%	70.83%	\$48,825	13.61%	9.08%	NA	0.96%	7.67%	NA	NA
PBHC	Pathfinder Bancorp, Inc.	NY	\$15.04	\$ 63.87	NA	\$13.98	18.34x	107.57%	7.97%	116.88%	NM	\$ 0.20	1.33%	24.39%	\$ 802	7.46%	6.91%	NA	0.49%	5.90%	NA	NA
PCSB	PCSB Financial Corporation	NY	\$16.46	\$ 299.00	NA	NA	NM	NA	NA	NA	NA	NA	NM	\$ 1,407	8.33%	7.89%	NA	NA	NA	NA	NA	
TRST	TrustCo Bank Corp NY	NY	\$ 7.95	\$ 763.18	\$ 0.44	\$ 4.57	17.67x	173.82%	15.60%	174.04%	17.97x	\$ 0.26	3.30%	58.33%	\$ 4,887	8.98%	8.97%	0.85%	0.89%	9.97%	0.88%	9.80%
Comparable Group																						
Averages			\$17.16	\$ 117.56	\$ 0.67	\$14.69	20.41x	116.81%	14.11%	125.10%	20.02x	\$ 0.18	1.00%	46.26%	\$ 753	12.34%	11.68%	1.28%	0.49%	4.53%	0.57%	4.85%
Medians			\$17.03	\$ 77.93	\$ 0.26	\$14.83	19.64x	121.33%	12.88%	121.50%	20.31x	\$ 0.14	0.63%	18.40%	\$ 669	10.76%	10.34%	1.20%	0.47%	4.56%	0.53%	4.62%
Comparable Group																						
BYBK	Bay Bancorp, Inc.	MD	\$ 7.05	\$ 74.33	\$ 0.26	\$ 6.38	30.65x	110.48%	11.74%	115.27%	27.35x	\$ 0.00	0.00%	0.00%	\$ 633	10.62%	10.23%	1.93%	0.47%	4.16%	0.53%	4.62%
CSBK	Clifton Bancorp Inc.	NJ	\$16.31	\$ 375.52	\$ 0.20	\$13.15	NM	124.02%	27.41%	124.02%	NM	\$ 0.24	1.47%	120.00%	\$ 1,371	22.10%	22.10%	0.39%	0.34%	1.40%	0.34%	1.38%
CWAY	Coastway Bancorp, Inc.	RI	\$20.20	\$ 88.73	\$ 0.83	\$15.68	24.34x	128.82%	14.03%	128.82%	24.34x	\$ 0.00	0.00%	0.00%	\$ 633	10.89%	10.89%	2.14%	0.55%	4.95%	0.55%	4.95%
ESBK	Elmira Savings Bank	NY	\$20.80	\$ 68.72	\$ 1.28	\$16.82	16.38x	123.67%	10.48%	168.51%	16.29x	\$ 0.92	4.42%	72.44%	\$ 557	10.08%	8.04%	0.93%	0.77%	7.82%	0.78%	7.88%
HBC	Hamilton Bancorp, Inc.	MD	\$15.12	\$ 51.55	\$ 0.17	\$17.77	NM	85.07%	10.33%	100.65%	NM	\$ 0.00	0.00%	0.00%	\$ 500	12.14%	10.46%	1.08%	0.03%	0.27%	0.11%	0.90%
MLVF	Malvern Bancorp, Inc.	PA	\$21.95	\$ 144.27	\$ 1.82	\$14.83	11.80x	148.02%	15.00%	148.02%	12.09x	\$ 0.00	0.00%	0.00%	\$ 962	10.13%	10.13%	0.33%	1.43%	13.01%	1.40%	12.71%
PBHC	Pathfinder Bancorp, Inc.	NY	\$15.04	\$ 63.87	NA	\$13.98	18.34x	107.57%	7.97%	116.88%	NM	\$ 0.20	1.33%	24.39%	\$ 802	7.46%	6.91%	1.46%	0.49%	5.90%	NA	NA
PBBI	PB Bancorp, Inc.	CT	\$10.35	\$ 81.52	\$ 0.17	\$10.86	NM	95.22%	15.66%	103.59%	NM	\$ 0.16	1.55%	61.90%	\$ 521	16.45%	15.32%	1.32%	0.31%	1.90%	0.25%	1.53%
PBIP	Prudential Bancorp, Inc.	PA	\$17.75	\$ 160.03	NA	NA	NM	126.25%	18.96%	126.25%	NM	\$ 0.12	0.68%	171.43%	\$ 844	15.49%	14.69%	3.17%	0.06%	0.30%	NA	NA
WEBK	Wellesley Bancorp, Inc.	MA	\$27.00	\$ 67.09	NA	\$22.69	20.93x	118.99%	9.53%	118.99%	NM	\$ 0.16	0.59%	12.40%	\$ 704	8.01%	8.01%	0.09%	0.46%	5.59%	NA	NA

- 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.
- Equity and tangible equity equal common equity and tangible common equity, respectively. 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.

Table 4.5
MHC Market Pricing Versus Peer Group
Ponce Bank
As of May 5, 2017

	Market Capitalization	Per Share Data		Pricing Ratios(2)							Dividends(3)			Financial Characteristics(5)								
		Price/Share (\$)	Market Value (\$Mil)	12 Month EPS(1) (\$)	Book Value/Share (\$)	P/E (x)	P/B (%)	P/A (%)	P/TB (%)	P/Core (x)	Amount/Share (\$)	Yield (%)	Payout Ratio(4) (%)	Total Assets (\$Mil)	Comm Eq./Assets (%)	Comm T. Eq./Assets (%)	NPAs/Assets (%)	Reported		Core		Offering Size (\$Mil)
																		ROAA (%)	ROAE (%)	ROAA (%)	ROAE (%)	
Ponce Bank																						
NY																						
Super Maximum	\$10.00	\$ 184.63	\$ 0.04	\$ 8.82	239.08x	113.38%	21.58%	113.38%	239.08x	\$ 0.00	0.00%	0.00%	\$ 856	19.04%	19.04%	3.02%	0.09%	0.47%	0.09%	0.47%	\$83.1	
Maximum	\$10.00	\$ 160.55	\$ 0.05	\$ 9.55	196.16x	104.71%	18.97%	104.71%	196.16x	\$ 0.00	0.00%	0.00%	\$ 846	18.12%	18.12%	3.06%	0.10%	0.53%	0.10%	0.53%	\$72.2	
Midpoint	\$10.00	\$ 139.61	\$ 0.06	\$10.38	162.69x	96.34%	16.66%	96.34%	162.69x	\$ 0.00	0.00%	0.00%	\$ 838	17.31%	17.31%	3.09%	0.10%	0.59%	0.10%	0.59%	\$62.8	
Minimum	\$10.00	\$ 118.67	\$ 0.08	\$11.51	132.02x	86.88%	14.31%	86.88%	132.02x	\$ 0.00	0.00%	0.00%	\$ 829	16.48%	16.48%	3.12%	0.11%	0.66%	0.11%	0.66%	\$53.4	
All Non-MHC Public Companies(6)																						
Averages	\$22.35	\$ 546.69	\$ 1.03	\$16.64	20.24x	131.15%	15.96%	145.09%	20.83x	\$ 0.37	1.66%	56.54%	\$ 3,327	12.60%	11.54%	0.96%	0.74%	6.30%	0.74%	6.12%		
Median	\$17.55	\$ 161.01	\$ 0.77	\$14.81	18.98x	126.65%	15.60%	130.77%	20.11x	\$ 0.26	1.36%	45.58%	\$ 1,081	11.57%	10.67%	0.84%	0.63%	5.99%	0.64%	5.68%		
All Non-MHC State of NY(6)																						
Averages	\$14.00	\$1,055.81	\$ 0.55	\$11.62	20.10x	137.75%	10.27%	157.37%	17.24x	\$ 0.44	2.84%	57.51%	\$ 7,945	9.55%	8.49%	1.16%	0.53%	5.26%	0.52%	5.28%		
Medians	\$15.03	\$ 183.86	\$ 0.78	\$13.98	18.00x	123.67%	10.48%	168.51%	17.44x	\$ 0.41	3.09%	61.54%	\$ 1,105	9.19%	8.31%	0.85%	0.58%	6.04%	0.74%	7.62%		
State of NY(1)																						
CARV	Carver Bancorp, Inc.	NY	\$ 4.00	\$ 14.78	\$ (0.64)	\$ 1.71	NM	234.56%	2.26%	234.56%	NM	\$ 0.00	0.00%	NM	\$ 699	7.36%	7.36%	2.41%	-0.28%	-3.76%	-0.30%	-3.91%
DCOM	Dime Community Bancshares, Inc.	NY	\$19.50	\$ 732.60	\$ 1.12	\$15.26	21.43x	127.80%	12.02%	141.54%	17.44x	\$ 0.56	2.87%	61.54%	\$ 6,095	9.40%	8.57%	0.23%	0.58%	6.04%	0.71%	7.36%
ESBK	Elmira Savings Bank	NY	\$20.80	\$ 68.72	\$ 1.28	\$16.82	16.38x	123.67%	10.48%	168.51%	16.29x	\$ 0.92	4.42%	72.44%	\$ 557	10.08%	8.04%	NA	0.77%	7.82%	0.78%	7.88%
FSBC	FSB Bancorp, Inc.	NY	\$15.02	\$ 29.16	NA	\$16.43	33.00x	91.44%	10.19%	91.44%	NM	NA	NA	NM	\$ 286	11.14%	11.14%	NA	0.33%	3.14%	NA	NA
NYCB	New York Community Bancorp, Inc.	NY	\$13.24	\$6,475.16	NA	\$12.57	13.79x	105.36%	13.40%	174.59%	NM	\$ 0.68	5.14%	70.83%	\$48,825	13.61%	9.08%	NA	0.96%	7.67%	NA	NA
PBHC	Pathfinder Bancorp, Inc.	NY	\$15.04	\$ 63.87	NA	\$13.98	18.34x	107.57%	7.97%	116.88%	NM	\$ 0.20	1.33%	24.39%	\$ 802	7.46%	6.91%	NA	0.49%	5.90%	NA	NA
PCSB	PCSB Financial Corporation	NY	\$16.46	\$ 299.00	NA	NA	NM	NA	NA	NA	NA	NA	NM	\$ 1,407	8.33%	7.89%	NA	NA	NA	NA	NA	
TRST	TrustCo Bank Corp NY	NY	\$ 7.95	\$ 763.18	\$ 0.44	\$ 4.57	17.67x	173.82%	15.60%	174.04%	17.97x	\$ 0.26	3.30%	58.33%	\$ 4,887	8.98%	8.97%	0.85%	0.89%	9.97%	0.88%	9.80%
Comparable Group																						
Averages	\$17.16	\$ 117.56	\$ 0.67	\$14.69	20.41x	116.81%	14.11%	125.10%	20.02x	\$ 0.18	1.00%	46.26%	\$ 753	12.34%	11.68%	1.26%	0.49%	4.53%	0.57%	4.85%		
Medians	\$17.03	\$ 77.93	\$ 0.26	\$14.83	19.64x	121.33%	12.88%	121.50%	20.31x	\$ 0.14	0.63%	18.40%	\$ 669	10.76%	10.34%	0.93%	0.47%	4.56%	0.53%	4.62%		
Comparable Group																						
BYBK	Bay Bancorp, Inc.	MD	\$ 7.05	\$ 74.33	\$ 0.26	\$ 6.38	30.65x	110.48%	11.74%	115.27%	27.35x	\$ 0.00	0.00%	0.00%	\$ 633	10.62%	10.23%	1.93%	0.47%	4.16%	0.53%	4.62%
CSBK	Clifton Bancorp Inc.	NJ	\$16.51	\$ 375.52	\$ 0.20	\$13.15	NM	124.02%	27.41%	124.02%	NM	\$ 0.24	1.47%	120.00%	\$ 1,371	22.10%	22.10%	0.39%	0.34%	1.40%	0.34%	1.38%
CWAY	Coastway Bancorp, Inc.	RI	\$20.20	\$ 88.73	\$ 0.83	\$15.68	24.34x	128.82%	14.03%	128.82%	24.34x	\$ 0.00	0.00%	0.00%	\$ 633	10.89%	10.89%	2.14%	0.55%	4.95%	0.55%	4.95%
ESBK	Elmira Savings Bank	NY	\$20.80	\$ 68.72	\$ 1.28	\$16.82	16.38x	123.67%	10.48%	168.51%	16.29x	\$ 0.92	4.42%	72.44%	\$ 557	10.08%	8.04%	0.93%	0.77%	7.82%	0.78%	7.88%
HBK	Hamilton Bancorp, Inc.	MD	\$15.12	\$ 51.55	\$ 0.17	\$17.77	NM	85.07%	10.33%	100.65%	NM	\$ 0.00	0.00%	0.00%	\$ 500	12.14%	10.46%	0.93%	0.03%	0.27%	0.11%	0.90%
MLVF	Malvern Bancorp, Inc.	PA	\$21.95	\$ 144.27	\$ 1.82	\$14.83	11.80x	148.02%	15.00%	148.02%	12.09x	\$ 0.00	0.00%	0.00%	\$ 962	10.13%	10.13%	0.33%	1.43%	13.01%	1.40%	12.71%
PBHC	Pathfinder Bancorp, Inc.	NY	\$15.04	\$ 63.87	NA	\$13.98	18.34x	107.57%	7.97%	116.88%	NM	\$ 0.20	1.33%	24.39%	\$ 802	7.46%	6.91%	1.46%	0.49%	5.90%	NA	NA
PBBI	PB Bancorp, Inc.	CT	\$10.35	\$ 81.52	\$ 0.17	\$10.86	NM	95.22%	15.66%	103.59%	NM	\$ 0.16	1.55%	61.90%	\$ 521	16.45%	15.32%	1.32%	0.31%	1.90%	0.25%	1.53%
PBIP	Prudential Bancorp, Inc.	PA	\$17.75	\$ 160.03	NA	NA	NM	126.25%	18.96%	126.25%	NM	\$ 0.12	0.68%	171.43%	\$ 844	15.49%	14.69%	3.17%	0.06%	0.30%	NA	NA
WEBK	Wellesley Bancorp, Inc.	MA	\$27.00	\$ 67.09	NA	\$22.69	20.93x	118.99%	9.53%	118.99%	NM	\$ 0.16	0.59%	12.40%	\$ 704	8.01%	8.01%	0.09%	0.46%	5.59%	NA	NA

- 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.
- Equity and tangible equity equal common equity and tangible common equity, respectively. 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.

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 67.07%, respectively. In comparison to the average P/B and P/TB ratios for the Peer Group of 116.81% and 125.10%, respectively, the Bank's ratios reflected a discount of 42.58% on a P/B basis and a discount of 46.39% on a P/TB basis. In comparison to the Peer Group's median P/B and P/TB ratios of 121.33% and 121.50%, respectively, the Bank's pro forma P/B and P/TB ratios (fully-converted basis) at the midpoint value reflected discounts of 44.72% and 44.80%, respectively. At the top of the super range, the Bank's P/B and P/TB ratios (fully-converted basis) both equaled 75.13%. 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 35.68% and 39.94%, 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 38.08% and 38.16%, 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 96.34%. In comparison to the average P/B and P/TB ratios indicated for the Peer Group of 116.81% and 125.10%, respectively, Ponce Bank's ratios were discounted by 17.52% on a P/B basis and 22.99% on a P/TB basis. In comparison to the Peer Group's median P/B and P/TB ratios of 121.33% and 121.50%, respectively, the Bank's pro forma P/B and P/TB ratios (MHC basis) at the midpoint value reflected discounts of 20.60% and 20.71%, respectively. At the top of the super range, the Bank's P/B and P/TB ratios (MHC basis) both equaled 113.38%. 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 2.94% and 9.37%, 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 6.55% and 6.68%, 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 15.50% of pro forma assets. Comparatively, the Peer Group companies exhibited an average P/A ratio of 14.11%, which implies a premium of 9.85% has been applied to the Bank’s pro forma P/A ratio. In comparison to the Peer Group’s median P/A ratio of 12.88%, the Bank’s pro forma P/A ratio (fully-converted basis) at the midpoint value reflects a premium of 20.34%.

On an MHC reported basis, Ponce Bank’s pro forma P/A ratio at the \$139.6 million midpoint value equaled 16.66%. In comparison to the Peer Group’s average P/A ratio of 14.11%, Ponce Bank’s P/A ratio (MHC basis) indicated a premium of 18.07%. In comparison to the Peer Group’s median P/A ratio of 12.88%, the Bank’s pro forma P/A ratio (MHC basis) at the midpoint value reflects a premium of 29.35%.

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 23.38%. 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 158.79%. Detailed pricing characteristics of the fully-converted MHCs is shown in Table 4.7.

	Publicly-Traded MHCs	Peer Group
Pricing Ratios (Averages)(1)		
Core price/earnings (x)	51.81x	20.02x
Price/tangible book (%)	95.85%	125.10%
Price/assets (%)	21.90	14.11

(1) Based on market prices as of May 5, 2017.

In comparison to the publicly-traded MHCs, the Bank's pro forma P/TB ratio (fully-converted basis) of 67.07% at the midpoint of the valuation range reflected a discount of

Table 4.6
Calculation of Implied Per Share Data - Incorporating MHC Second Step Conversion
Publicly Traded MHC Institutions

Ticker	Name	City	State	Exchange	Current Ownership			Per Share					Share Price	Gross Proceeds(1)	Net Capital Increase(2)	Net Income Increase(3)	Pro Forma				
					Public	MHC Shares	Total Shares	TTM Net Income Reported	Core	Book Value	Tang. Bk Value	Assets					Net Inc./ Share	Core Net Inc./ Share	Bk Value/ Share	Tang. Bk. Value/Share	Assets/ Share
GCBC	Greene County Bncp Inc. (MHC)	Catskill	NY	NASDAQ	3,893,350	4,609,264	8,502,614	\$ 1.17	\$ 1.17	\$ 9.22	\$ 9.22	\$109.61	\$23.20	\$ 106,934,925	\$ 90,894,686	(\$ 145,036)	\$ 1.15	\$ 1.15	\$ 19.91	\$ 19.91	\$120.30
HONE	HarborOne Bancorp Inc (MHC)	Brockton	MA	NASDAQ	14,839,846	17,281,034	32,120,880	\$ 0.18	\$ 0.28	\$10.25	\$ 9.83	\$ 76.22	\$21.12	\$ 364,975,438	\$ 310,229,122	(\$ 495,016)	\$ 0.17	\$ 0.26	\$ 19.91	\$ 19.49	\$ 85.88
KFFB	Kentucky First Federal (MHC)	Frankfort	KY	NASDAQ	3,755,563	4,727,938	8,483,501	\$ 0.13	\$ 0.13	\$ 7.95	\$ 6.24	\$ 36.05	\$ 9.51	\$ 44,953,707	\$ 38,210,651	(\$ 60,971)	\$ 0.12	\$ 0.12	\$ 12.46	\$ 10.75	\$ 40.56
LSBK	Lake Shore Bancorp Inc. (MHC)	Dunkirk	NY	NASDAQ	2,451,799	3,636,875	6,088,674	\$ 0.58	\$ 0.39	\$12.49	\$ 12.49	\$ 80.34	\$15.70	\$ 57,098,938	\$ 48,534,097	(\$ 77,443)	\$ 0.56	\$ 0.37	\$ 20.46	\$ 20.46	\$ 88.31
MGYR	Magyar Bancorp Inc. New (MHC)	Brunswick	NJ	NASDAQ	2,620,296	3,200,450	5,820,746	\$ 0.19	\$ 0.19	\$ 8.23	\$ 8.23	\$100.97	\$12.97	\$ 41,509,837	\$ 35,283,361	(\$ 56,300)	\$ 0.18	\$ 0.18	\$ 14.29	\$ 14.29	\$107.03
OFED	Ocoee Federal Financial Corp.	Seneca	SC	NASDAQ	1,635,369	4,155,596	5,790,965	\$ 0.94	\$ 0.93	\$14.49	\$ 13.93	\$ 83.25	\$26.00	\$ 108,045,509	\$ 91,838,682	(\$ 146,542)	\$ 0.92	\$ 0.90	\$ 30.35	\$ 29.79	\$ 99.11
PVBC	Provident Bancorp Inc (MHC)	Amesbury	MA	NASDAQ	4,618,125	5,034,323	9,652,448	\$ 0.66	\$ 0.66	\$11.31	\$ 11.31	\$ 82.42	\$20.75	\$ 104,462,202	\$ 88,792,872	(\$ 141,682)	\$ 0.64	\$ 0.64	\$ 20.51	\$ 20.51	\$ 91.62
TFSL	TFS Financial Corp (MHC)	Cleveland	OH	NASDAQ	56,392,835	227,119,132	283,511,967	\$ 0.29	\$ 0.29	\$ 5.87	\$ 5.84	\$ 46.52	\$16.90	\$3,838,313,331	\$3,262,566,331	(\$5,205,904)	\$ 0.27	\$ 0.27	\$ 17.38	\$ 17.35	\$ 58.03

- (1) Gross proceeds calculated as stock price multiplied by the number of shares owned by the MHC (i.e. non-public shares).
 (2) Net increase in capital reflects gross proceeds less offering expenses, contra-equity account for leveraged ESOP and Restricted Stock Plan. For MHC's with assets at the MHC level, the net increase in capital also includes consolidation of MHC assets with the capital of the institution concurrent with hypothetical second step.

Offering Expense Percent:	3.00%
ESOP Percent Purchase:	8.00%
RRP Percent Purchase:	4.00%

- (3) Net increase in earnings reflects after-tax reinvestment income (assumes ESOP and RRP do not generate reinvestment income), less after-tax ESOP amortization and RRP vesting.

After-Tax Reinvestment Rate:	1.17%
ESOP Loan Term (Yrs.):	20
Recognition Plan Vesting (Yrs.):	5
Effective Tax Rate:	34.00%

Source: SNL Financial, LC and RP Financial, LC. calculations.

Table 4.7
MHC Institutions, Implied Pricing Ratios, Full Conversion Basis
Financial Data as of the Most Recent Quarter or Twelve Month Period Available
Prices as of May 5, 2017

Ticker	Company Name	City	State	Exchange	Per Share Data													Key Financial Data							
					Stock Price (\$)	Mkt Value (\$M)	LTM		BV/ Sh	Tang. BV/Sh	P/E		P/E Cr		Price/ Book	Price/ TBk	Price/ Assts	Dividends			Total Assets (\$000)	E/A (%)	Tang. E/A (%)	LTM	
							EPS (\$)	CrEPS (\$)			LTM	LTM	P/E	P/E Cr				Ann Rate	Div Yield	Div Pay Ratio				Reported ROAA (%)	Core ROAE (%)
Publicly Traded MHCs, Full Conversion Basis - Averages					18.27	783.7	0.50	0.49	19.41	19.07	55.37	51.81	93.81	95.85	21.90	0.26	0.90	63.42	2,899,606	23.74	23.07	0.55	2.42	0.53	2.36
Publicly Traded MHCs, Full Conversion Basis - Medians					18.83	173.9	0.42	0.32	19.91	19.70	47.23	52.02	93.99	94.08	23.05	0.38	0.00	0.00	753,656	23.18	22.93	0.55	2.16	0.45	1.70
Publicly Traded MHCs, Full Conversion Basis																									
GCBC	Greene County Bncp Inc. (MHC)	Catskill	NY	NASDAQ	23.20	197.3	1.15	1.15	19.91	19.91	20.17	20.17	116.53	116.53	19.28	0.38	0.00	0.0	1,022,876	16.55	16.55	0.96	5.78	0.96	5.78
HONE	HarborOne Bancorp Inc (MHC)	Brockton	MA	NASDAQ	21.12	678.4	0.17	0.26	19.91	19.49	124.80	80.35	106.06	108.36	24.59	NA	0.00	0.0	2,758,539	23.19	22.69	0.20	0.85	0.31	1.32
KFFB	Kentucky First Federal (MHC)	Frankfort	KY	NASDAQ	9.51	80.7	0.12	0.12	12.46	10.75	76.89	76.89	76.33	88.48	23.44	0.40	4.21	323.5	344,057	30.71	26.50	0.30	0.99	0.30	0.99
LSBK	Lake Shore Bancorp Inc. (MHC)	Dunkirk	NY	NASDAQ	15.70	95.6	0.56	0.37	20.46	20.46	27.81	41.90	76.74	76.74	17.78	0.00	0.00	0.0	537,708	23.17	23.17	0.64	2.76	0.42	1.83
MGYR	Magyar Bancorp Inc. (MHC)	New Brunswick	NJ	NASDAQ	12.97	75.5	0.18	0.18	14.29	14.29	70.44	71.92	90.75	90.75	12.12	NA	0.00	0.0	622,976	13.35	13.35	0.17	1.29	0.17	1.26
OFED	Oconee Federal Financial Corp.	Seneca	SC	NASDAQ	26.00	150.6	0.92	0.90	30.35	29.79	28.40	28.76	85.67	87.29	26.23	0.00	0.00	0.0	573,917	30.62	30.05	0.92	3.02	0.91	2.98
PVBC	Provident Bancorp Inc (MHC)	Amesbury	MA	NASDAQ	20.75	200.3	0.64	0.64	20.51	20.51	32.32	32.32	101.19	101.19	22.65	NA	0.00	0.0	884,336	22.38	22.38	0.70	3.13	0.70	3.13
TFSL	TFS Financial Corp (MHC)	Cleveland	OH	NASDAQ	16.90	4,791.4	0.27	0.27	17.38	17.35	62.14	62.14	97.23	97.42	29.12	0.50	2.96	183.8	16,452,441	29.95	29.89	0.47	1.56	0.47	1.56

Source: SNL Financial, LC and RP Financial, LC. calculations.

30.03%. At the top of the super range, the Bank's P/TB ratio (fully-converted basis) of 75.13% reflected a discount of 21.62%. In comparison to the publicly-traded MHCs, the Bank's pro forma core P/E multiple (fully-converted basis) of 200.51 times at the midpoint of the valuation range reflected a premium of 287.01%. At the top of the super range, the Bank's core P/E multiple (fully-converted basis) of 337.02 times reflected a premium of 550.49%.

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 Community First Bancshares of Covington, Georgia. Community First Bancshares' offering, which closed in April 2017, raised gross proceeds of \$34.7 million through the sale of 46.0% of its stock in a public offering. Community First Bancshares' offering closed at the top of the super range at a fully-converted pro forma price/tangible book ratio of 68.50%. In comparison, the Bank's pro forma fully-converted price/tangible book ratio at the midpoint value reflects an implied discount of 2.09% and at the top of the range reflects an implied premium of 9.68%.

Valuation Conclusion

Based on the foregoing, it is our opinion that, as of May 5, 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.

EXHIBITS

LIST OF EXHIBITS

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I-3	Key Operating Ratios
I-4	Investment Portfolio Composition
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I-6	Loan Loss Allowance Activity
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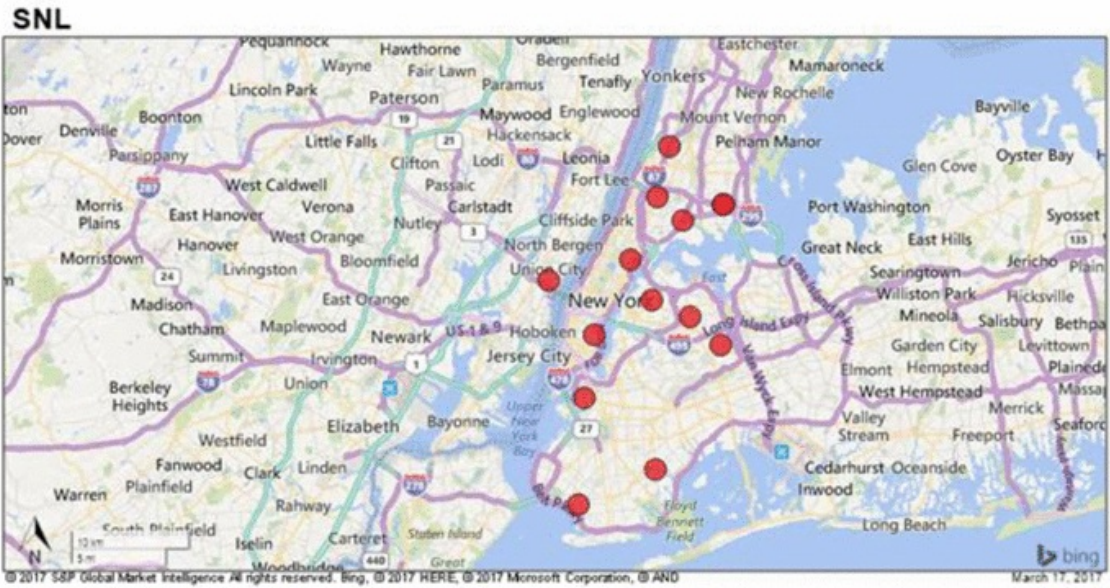
LIST OF EXHIBITS (continued)

<u>Exhibit Number</u>	<u>Description</u>
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EXHIBIT I-1

**Ponce Bank
Map of Office Locations**

Exhibit I-1
Ponce Bank
Map of Office Locations



Ponce De Leon Federal Bank

● US Branches: Current

Source: SNL Financial, L.C.

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 Three Months Ended March 31,		At or For the Years Ended December 31,				
	2017 (1)	2016 (1)	2016	2015	2014	2013	2012
Performance Ratios:							
Return on average assets	0.30%	0.46%	0.20%	0.35%	0.35%	0.33%	0.53%
Return on average equity	2.43%	3.46%	1.53%	2.76%	2.80%	2.79%	4.68%
Interest rate spread (2)	3.88%	4.08%	3.82%	3.96%	4.26%	3.98%	4.16%
Net interest margin (3)	4.09%	4.28%	4.02%	4.14%	4.42%	4.17%	4.36%
Noninterest expense to average assets	3.80%	3.95%	3.84%	3.67%	3.59%	3.30%	3.13%
Efficiency ratio (4)	88.08%	90.26%	92.15%	86.23%	79.34%	75.75%	69.25%
Average interest-earning assets to average interest-bearing liabilities	124.86%	122.55%	123.84%	121.66%	119.27%	117.72%	115.75%
Average equity to average assets	12.38%	12.99%	12.81%	12.78%	12.58%	11.79%	11.41%
Capital Ratios:							
Total capital to risk weighted assets (bank only)	18.16%	20.65%	19.21%	20.72%	20.32%	18.85%	17.97%
Tier 1 capital to risk weighted assets (bank only)	16.91%	19.40%	17.96%	19.46%	19.06%	17.59%	16.71%
Common equity Tier 1 capital to risk-weighted assets (bank only)	16.91%	19.40%	17.96%	19.46%	N/A	N/A	N/A
Tier 1 capital to average assets (bank only)	13.08%	13.80%	13.32%	13.67%	13.46%	12.65%	11.86%
Asset Quality Ratios:							
Allowance for loan losses, as a percentage of total loans	1.51%	1.61%	1.57%	1.64%	1.71%	1.74%	1.69%
Allowance for loan losses as a percentage of nonperforming loans	134.92%	117.15%	132.15%	99.78%	58.77%	21.63%	18.02%
Net (charge-offs) recoveries to average outstanding loans during the year	0.02%	0.09%	0.13%	(0.06%)	(0.30%)	(0.61%)	(0.48%)
Non-performing loans as a percentage of total loans	1.19%	1.38%	1.18%	1.65%	2.91%	7.98%	9.73%
Non-performing loans as a percentage of total assets	0.98%	1.12%	1.04%	1.35%	2.28%	6.29%	7.59%
Total non-performing assets as a percentage of total assets	0.98%	1.12%	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	3.29%	3.84%	3.50%	4.19%	5.27%	7.50%	9.25%
Other:							
Number of offices	14	14	14	14	14	14	13
Number of full-time equivalent employees	177	172	174	175	164	168	168

(1) Ratios are annualized where appropriate.

(2) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.

(3) Represents net interest income as a percentage of average interest-earning assets.

(4) 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 March 31, 2017		2016		2015		At December 31, 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	Amortized Cost	Estimated Fair Value
(In thousands)												
U.S. Government and Federal Agencies	\$ 41,907	\$ 41,484	\$ 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	500	500	—	—	—	—	—	—	—	—
Mortgage-Backed Securities												
FHLMC Certificates	190	213	192	216	202	222	212	234	222	238	332	355
FNMA Certificates	3,374	3,365	3,600	3,606	4,411	4,432	5,732	5,872	6,536	6,548	872	948
GNMA Certificates	6,310	6,375	6,744	6,809	6,084	6,214	7,211	7,380	8,668	8,857	11,158	11,496
Total	<u>\$ 52,281</u>	<u>\$ 51,937</u>	<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>

Source: Ponce Bank's prospectus.

EXHIBIT I-5

**Ponce Bank
Yields and Costs**

Exhibit I-5
Ponce Bank
Yields and Costs

	At March 31, 2017	For the Three Months Ended March 31,					
		2017			2016		
Yield/Rate		Average Outstanding Balance	Interest	Average Yield/Rate (1)	Average Outstanding Balance	Interest	Average Yield/Rate (1)
(Dollars in thousands)							
Interest-earning assets:							
Loans	5.18%	\$ 662,174	8,592	5.26%	\$ 580,106	8,279	5.74%
Available-for-sale securities	1.44%	52,341	183	1.42%	80,645	304	1.52%
Other (2)	0.47%	9,963	19	0.77%	12,774	16	0.50%
Total interest-earning assets		724,478	8,794	4.92%	673,525	8,599	5.13%
Non-interest-earning assets		32,887			34,733		
Total assets		<u>\$ 757,365</u>			<u>\$ 708,258</u>		
Interest-bearing liabilities:							
Savings accounts	0.10%	128,859	122	0.38%	124,413	67	0.22%
Interest-bearing demand	0.28%	71,043	27	0.15%	51,175	22	0.17%
Certificates of deposit	1.51%	362,470	1,316	1.47%	366,145	1,336	1.47%
Total deposits		562,372	1,465	1.06%	541,733	1,425	1.06%
Advance payments by borrowers	1.25%	4,928	1	0.08%	3,814	1	0.11%
Borrowings	1.04%	12,955	29	0.91%	4,066	6	0.59%
Total interest-bearing liabilities		580,255	1,495	1.04%	549,613	1,432	1.05%
Non-interest-bearing liabilities:							
Non-interest-bearing demand		80,066	—		63,474	—	
Other non-interest-bearing liabilities		3,247	—		3,198	—	
Total non-interest-bearing liabilities		83,313	—		66,672	—	
Total liabilities		663,568	1,495		616,285	1,432	
Total equity		93,797			91,973		
Total liabilities and total equity		<u>\$ 757,365</u>		1.04%	<u>\$ 708,258</u>		1.05%
Net interest income			<u>\$7,299</u>			<u>\$7,167</u>	
Net interest rate spread(3)				3.88%			4.09%
Net interest-earning assets (4)		<u>\$ 144,223</u>			<u>\$ 123,912</u>		
Net interest margin (5)				4.09%			4.28%
Average interest-earning assets to interest-bearing liabilities				124.86%			122.55%

Exhibit I-5 (continued)
Ponce Bank
Yields and Costs

	At December 31, 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		<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) Annualized where appropriate.

(2) Includes FHLB demand accounts and FHLB stock dividends.

(3) 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.

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) 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

	Three Months Ended March 31		Years Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(Dollars in thousands)						
Allowance at beginning of year	\$ 10,205	\$ 9,484	\$ 9,484	\$9,449	\$ 9,940	\$10,056	\$ 7,872
Provision for loan losses	52	(547)	(57)	353	1,184	3,426	5,132
Charge offs:							
Mortgage loans:							
1-4 family residences							
Investor owned	—	—	(38)	(142)	(494)	(1,042)	(376)
Owner occupied	—	—	—	(140)	(207)	(491)	(128)
Multifamily residences	—	—	(3)	(257)	(252)	(254)	(26)
Nonresidential properties	—	—	—	(19)	(268)	(184)	—
Construction and land	—	(85)	(85)	(77)	(32)	(434)	(467)
Nonmortgage loans:							
Business	(10)	—	—	—	(945)	(1,440)	(1,954)
Consumer	—	—	(13)	(8)	(19)	(18)	(56)
Total charge offs	(10)	(85)	(139)	(643)	(2,217)	(3,863)	(3,007)
Recoveries:							
Mortgage loans:							
1-4 family residences							
Investor owned	5	3	18	53	198	4	2
Owner occupied	1	134	142	10	37	—	—
Multifamily residences	1	—	1	—	61	32	11
Nonresidential properties	2	2	9	31	10	—	6
Construction and land	—	—	5	—	—	133	—
Nonmortgage loans:							
Business	113	470	733	224	231	147	34
Consumer	1	1	9	7	5	5	6
Total recoveries	123	610	917	325	542	321	59
Net (chargeoffs) recoveries	113	525	778	(318)	(1,675)	(3,542)	(2,948)
Allowance at end of year	\$ 10,370	\$ 9,462	\$10,205	\$9,484	\$ 9,449	\$ 9,940	\$10,056
Allowance for loan losses as a percentage for nonperforming loans	134.92%	117.15%	132.15%	99.78%	58.79%	21.80%	17.39%
Allowance for loan losses as a percentage of total loans	1.51%	1.61%	1.57%	1.64%	1.71%	1.74%	1.69%
Net (chargeoffs) recoveries to average loans outstanding during the year	0.02%	0.09%	0.13%	(0.06%)	(0.30%)	(0.61%)	(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 March 31, 2017, 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)	Year 1 Change from Level
+400	\$ 25,713	-11.74%
+300	26,690	-8.39%
+200	27,624	-5.18%
+100	28,460	-2.31%
Level	29,134	—
-100	29,159	0.09%

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

The table below sets forth, as of March 31, 2017, 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		Value of Assets (3)	
		Amount	Percent	NPV Ratio (4)	Increase (Decrease) (basis points)
+400	\$ 92,175	\$ (32,196)	-25.89%	12.48%	(283)
+300	101,594	(22,778)	-18.31%	13.41%	(190)
+200	110,373	(13,999)	-11.26%	14.22%	(110)
+100	118,239	(6,132)	-4.93%	14.88%	(44)
—	124,372	—	0.00%	15.31%	—
-100	129,134	4,762	3.83%	15.60%	29

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

(2) NPV 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) NPV Ratio represents NPV 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 tables set forth our fixed and adjustable-rate loans at March 31, 2017 that are contractually due after March 31, 2018 and at December 31, 2016 that are contractually due after December 31, 2017.

	Due After March 31, 2018		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
1-4 family residences			
Investor Owned	\$ 25,670	\$209,127	\$234,797
Owner Occupied	37,690	55,706	93,396
Multifamily residences	8,913	149,319	158,232
Nonresidential properties	10,802	127,904	138,706
Construction and land	13,691	—	13,691
Total mortgage loans	96,766	542,056	638,822
Nonmortgage loans:			
Business	4,550	1,983	6,533
Consumer	671	—	671
Total nonmortgage loans	5,221	1,983	7,204
Total	<u>\$101,987</u>	<u>\$544,039</u>	<u>\$646,026</u>

	Due After December 31, 2017		
	Fixed	Adjustable	Total
	(In thousands)		
Mortgage loans:			
1-4 family residences			
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>

Source: Ponce Bank's prospectus.

EXHIBIT I-9

**Ponce Bank
Loan Portfolio Composition**

Exhibit I-9
Ponce Bank
Loan Portfolio Composition

	At March 31,		2016		2015		At December 31,		2013		2012	
	2017		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)												
Mortgage loans:												
1-4 family residences												
Investor Owned	\$237,904	34.62%	\$227,409	34.90%	\$203,239	35.25%	\$190,726	34.54%	\$195,762	34.27%	\$207,981	34.99%
Owner-Occupied	96,085	13.98%	97,631	14.98%	106,053	18.39%	105,222	19.05%	111,252	19.47%	105,084	17.68%
Multifamily residences	161,833	23.55%	158,200	24.28%	122,836	21.30%	110,978	20.10%	107,541	18.82%	107,949	18.16%
Nonresidential properties	140,501	20.45%	121,500	18.64%	106,462	18.46%	111,806	20.24%	109,603	19.19%	115,614	19.45%
Construction and land	<u>37,610</u>	<u>5.47%</u>	<u>30,340</u>	<u>4.66%</u>	<u>22,883</u>	<u>3.97%</u>	<u>18,707</u>	<u>3.39%</u>	<u>25,567</u>	<u>4.48%</u>	<u>29,708</u>	<u>5.00%</u>
Total mortgage loans	673,933	98.07%	635,080	97.46%	561,473	97.37%	537,439	97.32%	549,725	96.23%	566,336	95.28%
Nonmortgage loans:												
Business	12,434	1.81%	15,719	2.41%	14,350	2.49%	14,206	2.57%	20,349	3.56%	26,545	4.47%
Consumer	<u>796</u>	<u>0.12%</u>	<u>843</u>	<u>0.13%</u>	<u>788</u>	<u>0.14%</u>	<u>614</u>	<u>0.11%</u>	<u>1,210</u>	<u>0.21%</u>	<u>1,537</u>	<u>0.25%</u>
Total nonmortgage loans	<u>13,230</u>	<u>1.93%</u>	<u>16,562</u>	<u>2.54%</u>	<u>15,138</u>	<u>2.63%</u>	<u>14,820</u>	<u>2.68%</u>	<u>21,559</u>	<u>3.77%</u>	<u>28,082</u>	<u>4.72%</u>
	<u>687,163</u>	<u>100.00%</u>	<u>651,642</u>	<u>100.00%</u>	<u>576,611</u>	<u>100.00%</u>	<u>552,259</u>	<u>100.00%</u>	<u>571,284</u>	<u>100.00%</u>	<u>594,418</u>	<u>100.00%</u>
Net deferred loan origination costs	732		711		535		479		279		244	
Allowance for losses on loans	<u>(10,370)</u>		<u>(10,205)</u>		<u>(9,484)</u>		<u>(9,449)</u>		<u>(9,940)</u>		<u>(10,056)</u>	
Loans, net	<u>\$677,525</u>		<u>\$642,148</u>		<u>\$567,662</u>		<u>\$543,289</u>		<u>\$561,623</u>		<u>\$584,606</u>	

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>March 31, 2017</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	\$ 3,107	\$ 2,689	\$ 3,601	\$ 1,794
More than one to five years	12,917	3,270	5,225	10,286
More than five years	221,880	90,126	153,007	128,420
Total	<u>\$ 237,904</u>	<u>\$ 96,085</u>	<u>\$ 161,833</u>	<u>\$ 140,500</u>

<u>March 31, 2017</u>	<u>Construction and Land</u>	<u>Business</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)			
Amounts due in:				
One year or less	\$ 23,920	\$ 5,901	\$ 125	\$ 41,137
More than one to five years	13,691	6,533	671	52,593
More than five years	—	—	—	593,433
Total	<u>\$ 37,611</u>	<u>\$ 12,434</u>	<u>\$ 796</u>	<u>\$ 687,163</u>

<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

	Three Months Ended March 31,		Years Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
	(In thousands)						
Total loans at beginning of year	\$ 651,642	\$ 576,611	\$576,611	\$552,259	\$ 571,284	\$ 594,418	\$ 622,359
Loans originated:							
Mortgage loans:							
1-4 family residences							
Investor owned	19,379	9,471	57,167	39,309	34,603	31,508	20,544
Owner occupied	4,374	2,747	14,741	12,555	11,625	23,001	10,171
Multifamily residences	9,030	18,763	51,876	34,048	28,965	21,986	19,955
Nonresidential properties	24,746	2,764	31,408	18,365	15,972	13,850	9,902
Construction and land	15,675	6,850	5,693	3,497	15,485	10,389	13,589
Total mortgage loans	73,204	40,595	160,885	107,774	106,650	100,734	74,161
Nonmortgage loans:							
Business	1,555	414	1,222	7,451	4,540	5,084	1,924
Consumer	67	149	718	692	277	516	782
Total nonmortgage loans	1,622	563	1,940	8,143	4,817	5,600	2,706
Total loans	74,826	41,158	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	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total nonmortgage loans	—	—	—	—	—	—	—
Total loans	—	—	—	—	(838)	—	(2,429)
Principal repayments and other	(39,305)	(30,493)	(87,794)	(91,565)	(131,330)	(129,468)	(107,237)
Net loan activity	35,521	10,665	75,031	24,352	(19,025)	(23,134)	(27,941)
Total loans at end of year	\$ 687,163	\$ 587,276	\$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 March 31,		At December 31,			
	2017	2016	2015	2014	2013	2012
(Dollars in thousands)						
Nonaccrual loans:						
Mortgage loans:						
1-4 family residences						
Investor owned	\$ 573	\$ 809	\$ 1,635	\$ 2,721	\$ 7,365	\$12,504
Owner occupied	1,723	1,463	1,078	1,036	4,983	6,762
Multifamily residences	—	—	—	2,957	4,040	4,320
Nonresidential properties	1,606	1,614	1,660	72	1,579	3,232
Construction and land	1,142	1,145	637	259	3,019	7,143
Nonmortgage loans:						
Business	12	22	13	14	236	1,686
Consumer	—	—	—	—	29	40
Total nonaccrual loans (not including nonaccruing troubled debt restructured loans)	<u>5,056</u>	<u>5,053</u>	<u>5,023</u>	<u>7,059</u>	<u>21,251</u>	<u>35,687</u>
Nonaccruing troubled debt restructured loans:						
Mortgage loans:						
1-4 family residences						
Investor owned	1,214	1,240	2,599	4,585	10,059	7,666
Owner occupied	636	646	1,055	1,923	7,471	7,534
Multifamily residences	—	—	—	—	396	450
Nonresidential properties	780	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	<u>2,630</u>	<u>2,669</u>	<u>4,482</u>	<u>9,014</u>	<u>24,335</u>	<u>22,136</u>
Total nonaccrual loans	<u>7,686</u>	<u>7,722</u>	<u>9,505</u>	<u>16,073</u>	<u>45,586</u>	<u>57,823</u>
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	<u>—</u>	<u>—</u>	<u>76</u>	<u>162</u>	<u>1,059</u>	<u>1,200</u>
Total nonperforming assets	<u>\$ 7,686</u>	<u>\$ 7,722</u>	<u>\$ 9,581</u>	<u>\$16,235</u>	<u>\$46,645</u>	<u>\$59,023</u>
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,983</u>	<u>1,021</u>	<u>3,810</u>
Accruing troubled debt restructured loans:						
Mortgage loans:						
1-4 family residences						
Investor owned	6,385	6,422	6,579	5,179	2,371	4,134
Owner occupied	7,232	7,271	8,326	9,661	2,476	2,209
Multifamily residences	—	—	—	—	—	—
Nonresidential properties	4,036	4,066	4,186	3,590	2,262	1,256
Construction and land	—	—	—	—	—	—
Nonmortgage loans:						
Business	546	593	814	970	—	—
Consumer	—	—	—	—	—	—
Total accruing troubled debt restructured loans	<u>\$ 18,199</u>	<u>\$18,352</u>	<u>\$19,905</u>	<u>\$19,400</u>	<u>\$ 7,109</u>	<u>\$ 7,599</u>
Total nonperforming assets, accruing loans past due 90 days or more and accruing troubled debt restructured loans	<u>\$ 25,885</u>	<u>\$26,074</u>	<u>\$29,486</u>	<u>\$37,618</u>	<u>\$54,775</u>	<u>\$70,432</u>
Total nonperforming loans to total loans	1.12%	1.19%	1.65%	2.91%	7.98%	9.73%

Total nonperforming assets to total assets	0.98%	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	3.29%	3.50%	4.19%	5.33%	7.50%	9.25%

Source: Ponce Bank's prospectus.

EXHIBIT I-13

**Ponce Bank
Deposit Composition**

Exhibit I-13
Ponce Bank
Deposit Composition

	For the Three Months Ended			For the Years Ended December 31,								
	March 31, 2017			2016			2015			2014		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
(Dollars in thousands)												
Deposit type:												
Savings	\$128,859	20.06%	0.38%	\$126,573	20.32%	0.26%	\$122,538	20.50%	0.20%	\$127,200	20.79%	0.20%
Interest-bearing demand	71,043	11.06%	0.15%	54,493	8.75%	0.18%	46,692	7.81%	0.16%	44,546	7.28%	0.13%
Certificates of deposit	<u>362,470</u>	<u>56.42%</u>	1.47%	<u>371,313</u>	<u>59.62%</u>	1.48%	<u>366,958</u>	<u>61.40%</u>	1.44%	<u>379,860</u>	<u>62.07%</u>	1.42%
Interest- bearing deposits	562,372	87.54%	1.06%	552,379	88.69%	1.07%	536,188	89.71%	1.04%	551,606	90.14%	1.03%
Non-interest bearing demand	<u>80,066</u>	<u>12.46%</u>		<u>70,407</u>	<u>11.31%</u>	—	<u>61,524</u>	<u>10.29%</u>	—	<u>60,318</u>	<u>9.86%</u>	—
Total deposits	<u>\$642,438</u>	<u>100.00%</u>	0.92%	<u>\$622,786</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

The following table sets forth the amount and maturities of our certificates of deposit by interest rate at March 31, 2017.

	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%	\$ 53,275	\$ 52	\$ —	\$ —	\$ 53,327	14.59%
1.00% - 1.49%	76,280	59,232	7,242	515	143,269	39.21%
1.50% - 1.99%	23,311	13,722	12,285	21,811	71,129	19.47%
2.00% - 2.49%	4,854	9,345	15,049	63,597	92,845	25.41%
2.50% - 2.99%	—	1,355	211	3,271	4,837	1.32%
Total	<u>\$ 157,720</u>	<u>\$ 83,706</u>	<u>\$ 34,787</u>	<u>\$89,194</u>	<u>\$365,407</u>	<u>100.00%</u>

Source: Ponce Bank's prospectus.

EXHIBIT I-15

**Ponce Bank
Borrowing Activity**

Exhibit I-15
Ponce Bank
Borrowing Activity

	Months Ended		At or For the Years		
	March 31,		December 31,		
	2017	2016	2016	2015	2014
	(Dollars in Thousands)				
FHLB Advances:					
Balance outstanding at end of period	\$28,000	\$ —	\$ 3,000	\$ 8,000	\$10,000
Average amount outstanding during the period	12,955	4,066	1,145	15,050	9,129
Maximum outstanding at any month end during the period	31,000	12,000	12,000	24,000	18,000
Weighted average interest rate during the period	0.91%	0.59%	0.61%	0.41%	0.47%
Weighted average interest rate at the end of the period	1.04%	0.00%	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 (In thousands)</u>
Main Office:			
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 6,505
Other Properties:			
980 Southern Blvd. Bronx, NY 10459	Leased	Pre 1990	\$ 1,254
37-60 82nd Street Jackson Heights, NY 11372	Owned	2006	\$ 8,631
30 East 170th Street Bronx, NY 10452	Owned	1987	\$ 129
169-174 Smith Street Brooklyn, NY 11201	Owned	1988	\$ 45
1925 Third Avenue New York, NY 1996	Leased	1996	\$ 16
2244 Westchester Avenue Bronx, NY 10462	Owned	1995	\$ 587
5560 Broadway Bronx, NY 10463	Owned	1998	\$ 1,127
3405-3407 Broadway Astoria, NY 11106	Leased	2001	\$ 0
3821 Bergenline Avenue Union City, NJ 07087	Owned	2001	\$ 1,799
1900-1960 Ralph Avenue Brooklyn, NY 11234	Leased	2007	\$ 346
20-47 86th Street Brooklyn, NY 11214	Owned	2010	\$ 1,966
100-20 Queens Blvd Forest Hills, NY 11375	Leased	2010	\$ 677
319 First Avenue New York, NY 10003	Leased	2010	\$ 1,200

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				
Quarter 3	3.50%	0.26%	0.45%	1.49%
Quarter 4	3.50%	0.29%	0.59%	1.60%
2017: Quarter 1	3.75%	0.51%	0.85%	2.45%
As of May 5, 2017	4.00%	0.76%	1.03%	2.40%
	4.00%	0.90%	1.10%	2.36%

(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
May 5, 2017

Ticker	Financial Institution	Exchange	Region	City	State	Total Assets (\$Mil)	Offices	Fiscal Mth End	Conv. Date	As of May 5, 2017	
										Stock Price (\$)	Market Value (\$Mil)
BCTF	Bancorp 34, Inc.	NASDAQ	SW	Alamogordo	NM	\$ 329	4	Dec	5/16/00	\$ 12.93	\$ 44
BKMU	Bank Mutual Corporation	NASDAQ	MW	Milwaukee	WI	2,668	66	Dec	10/30/03	9.40	432
BYBK	Bay Bancorp, Inc.	NASDAQ	MA	Columbia	MD	633	14	Dec	1/0/00	7.05	74
BNCL	Beneficial Bancorp, Inc.	NASDAQ	MA	Philadelphia	PA	5,862	63	Dec	7/16/07	15.80	1,209
BHBK	Blue Hills Bancorp, Inc.	NASDAQ	NE	Norwood	MA	2,497	11	Dec	7/22/14	18.45	496
BOFI	Bofi Holding, Inc.	NASDAQ	WE	San Diego	CA	8,700	2	Jun	3/14/05	24.03	1,523
BYFC	Broadway Financial Corporation	NASDAQ	WE	Los Angeles	CA	454	3	Dec	1/9/96	1.89	35
BLMT	BSB Bancorp, Inc.	NASDAQ	NE	Belmont	MA	2,287	7	Dec	10/5/11	29.05	281
CFFN	Capitol Federal Financial, Inc.	NASDAQ	MW	Topeka	KS	9,246	47	Sep	12/22/10	14.65	2,024
CARV	Carver Bancorp, Inc.	NASDAQ	MA	New York	NY	699	9	Mar	10/25/94	4.00	15
CHFN	Charter Financial Corporation	NASDAQ	SE	West Point	GA	1,485	21	Sep	4/8/13	19.15	288
CSBK	Clifton Bancorp Inc.	NASDAQ	MA	Clifton	NJ	1,371	12	Mar	4/2/14	16.31	376
CWAY	Coastway Bancorp, Inc.	NASDAQ	NE	Warwick	RI	633	11	Dec	1/15/14	20.20	89
DCOM	Dime Community Bancshares, Inc.	NASDAQ	MA	Brooklyn	NY	6,095	27	Dec	6/26/96	19.50	733
ESBK	Elmira Savings Bank	NASDAQ	MA	Elmira	NY	557	13	Dec	3/1/85	20.80	69
EQFN	Equitable Financial Corp.	NASDAQ	MW	Grand Island	NE	231	6	Jun	11/9/05	10.50	36
ESSA	ESSA Bancorp, Inc.	NASDAQ	MA	Stroudsburg	PA	1,759	27	Sep	4/4/07	14.76	171
FCAP	First Capital, Inc.	NASDAQ	MW	Corydon	IN	762	17	Dec	1/4/99	33.00	110
FBNK	First Connecticut Bancorp, Inc.	NASDAQ	NE	Farmington	CT	2,904	27	Dec	6/30/11	26.40	420
FDEF	First Defiance Financial Corp.	NASDAQ	MW	Defiance	OH	2,929	43	Dec	10/2/95	54.82	556
FNWB	First Northwest Bancorp	NASDAQ	WE	Port Angeles	WA	1,081	11	Jun	1/30/15	16.77	203
FBC	Flagstar Bancorp, Inc.	NYSE	MW	Troy	MI	15,361	99	Dec	4/30/97	30.44	1,736
FSBW	FS Bancorp, Inc.	NASDAQ	WE	Mountlake Terrace	WA	878	12	Dec	7/10/12	44.11	135
FSBC	FSB Bancorp, Inc.	NASDAQ	MA	Fairport	NY	286	5	Dec	8/15/07	15.02	29
HBK	Hamilton Bancorp, Inc.	NASDAQ	MA	Towson	MD	500	7	Mar	10/10/12	15.12	52
HIFS	Hingham Institution for Savings	NASDAQ	NE	Hingham	MA	2,039	13	Dec	12/13/88	180.60	385
HMNF	HMN Financial, Inc.	NASDAQ	MW	Rochester	MN	681	13	Dec	6/30/94	17.55	79
HFBL	Home Federal Bancorp, Inc. of Louisiana	NASDAQ	SW	Shreveport	LA	416	7	Jun	12/22/10	29.89	58
HVBC	HV Bancorp, Inc.	NASDAQ	MA	Huntingdon Valley	PA	239	6	Jun	1/12/17	14.10	31
IROQ	IF Bancorp, Inc.	NASDAQ	MW	Watseka	IL	591	6	Jun	7/8/11	20.00	79
ISBC	Investors Bancorp, Inc.	NASDAQ	MA	Short Hills	NJ	23,889	154	Dec	5/8/14	13.45	4,174
JXSB	Jacksonville Bancorp, Inc.	NASDAQ	MW	Jacksonville	IL	318	6	Dec	7/15/10	30.50	55
KRNY	Kearny Financial Corp.	NASDAQ	MA	Fairfield	NJ	4,796	42	Jun	2/24/05	14.60	1,274
MLVF	Malvern Bancorp, Inc.	NASDAQ	MA	Paoli	PA	962	9	Sep	10/12/12	21.95	144
MELR	Melrose Bancorp, Inc.	NASDAQ	NE	Melrose	MA	269	1	Dec	10/22/14	16.75	44
EBSB	Meridian Bancorp, Inc.	NASDAQ	NE	Peabody	MA	4,639	32	Dec	7/29/14	17.25	925
CASH	Meta Financial Group, Inc.	NASDAQ	MW	Sioux Falls	SD	3,986	10	Sep	9/20/93	86.60	810
MSBF	MSB Financial Corp.	NASDAQ	MA	Millington	NJ	482	5	Dec	1/5/07	17.00	97
NYCB	New York Community Bancorp, Inc.	NYSE	MA	Westbury	NY	48,825	259	Dec	11/23/93	13.24	6,475
NFBK	Northfield Bancorp, Inc.	NASDAQ	MA	Woodbridge	NJ	3,844	38	Dec	1/25/13	17.96	877
NWBI	Northwest Bancshares, Inc.	NASDAQ	MA	Warren	PA	9,732	177	Dec	12/18/09	16.08	1,640
OCFC	OceanFirst Financial Corp.	NASDAQ	MA	Toms River	NJ	5,196	62	Dec	7/3/96	28.10	909
ORIT	Oritani Financial Corp.	NASDAQ	MA	Township of Washington	NJ	4,126	27	Jun	6/24/10	16.85	773
OTTW	Ottawa Bancorp, Inc.	NASDAQ	MW	Ottawa	IL	236	3	Dec	7/14/05	13.41	46
PBHC	Pathfinder Bancorp, Inc.	NASDAQ	MA	Oswego	NY	802	17	Dec	10/17/14	15.04	64
PBBI	PB Bancorp, Inc.	NASDAQ	NE	Putnam	CT	521	8	Jun	10/5/04	10.35	82
PCSB	PCSB Financial Corporation	NASDAQ	MA	Yorktown Heights	NY	1,407	16	Jun	4/21/17	16.46	299
PBSK	Poage Bankshares, Inc.	NASDAQ	MW	Ashland	KY	458	10	Dec	9/13/11	19.45	72
PROV	Provident Financial Holdings, Inc.	NASDAQ	WE	Riverside	CA	1,199	15	Jun	6/28/96	19.00	150
PFS	Provident Financial Services, Inc.	NYSE	MA	Iselin	NJ	9,510	87	Dec	1/16/03	25.65	1,702
PBIP	Prudential Bancorp, Inc.	NASDAQ	MA	Philadelphia	PA	844	11	Sep	10/10/13	17.75	160

Exhibit III-1
 Characteristics of Publicly-Traded Thrifts
 May 5, 2017

Ticker	Financial Institution	Exchange	Region	City	State	Total Assets (\$Mil)	Offices	Fiscal Mth End	Conv. Date	As of May 5, 2017	
										Stock Price (\$)	Market Value (\$Mil)
RNDB	Randolph Bancorp, Inc.	NASDAQ	NE	Stoughton	MA	482	6	Dec	7/1/16	15.20	89
RVSB	Riverview Bancorp, Inc.	NASDAQ	WE	Vancouver	WA	1,134	19	Mar	10/1/97	7.11	160
SVBI	Severn Bancorp, Inc.	NASDAQ	MA	Annapolis	MD	799	5	Dec	1/0/00	7.11	86
SIFI	SI Financial Group, Inc.	NASDAQ	NE	Willimantic	CT	1,593	24	Dec	1/13/11	14.95	182
SBCP	Sunshine Bancorp, Inc.	NASDAQ	SE	Plant City	FL	956	18	Dec	7/15/14	22.31	179
TBNK	Territorial Bancorp Inc.	NASDAQ	WE	Honolulu	HI	1,936	29	Dec	7/13/09	30.85	303
TSBK	Timberland Bancorp, Inc.	NASDAQ	WE	Hoquiam	WA	947	22	Sep	1/13/98	21.92	161
TRST	TrustCo Bank Corp NY	NASDAQ	MA	Glenville	NY	4,887	144	Dec	1/0/00	7.95	763
UCBA	United Community Bancorp	NASDAQ	MW	Lawrenceburg	IN	546	8	Jun	1/10/13	18.00	76
UBNK	United Financial Bancorp, Inc.	NASDAQ	NE	Glastonbury	CT	6,697	54	Dec	3/4/11	17.31	878
WSBF	Waterstone Financial, Inc.	NASDAQ	MW	Wauwatosa	WI	1,727	13	Dec	1/23/14	19.55	576
WAYN	Wayne Savings Bancshares, Inc.	NASDAQ	MW	Wooster	OH	449	11	Dec	1/9/03	17.79	49
WCFB	WCF Bancorp, Inc.	NASDAQ	MW	Webster City	IA	124	2	Dec	8/15/94	10.00	26
WEBK	Wellesley Bancorp, Inc.	NASDAQ	NE	Wellesley	MA	704	6	Dec	1/26/12	27.00	67
WBB	Westbury Bancorp, Inc.	NASDAQ	MW	West Bend	WI	756	8	Sep	4/10/13	20.30	82
WNEB	Western New England Bancorp, Inc.	NASDAQ	NE	Westfield	MA	2,087	23	Dec	1/4/07	10.35	319
WBKC	Wolverine Bancorp, Inc.	NASDAQ	MW	Midland	MI	434	3	Dec	1/20/11	32.00	67
WSFS	WSFS Financial Corporation	NASDAQ	MA	Wilmington	DE	6,853	64	Dec	11/26/86	47.15	1,483
WVFC	WVS Financial Corp.	NASDAQ	MA	Pittsburgh	PA	345	6	Jun	11/29/93	15.20	31
HONE	HarborOne Bancorp, Inc. (MHC)	NASDAQ	NE	Brockton	MA	2,566	17	Dec	6/30/16	21.18	680
PVBC	Provident Bancorp, Inc. (MHC)	NASDAQ	NE	Amesbury	MA	833	8	Dec	7/16/15	20.50	198
OFED	Oconee Federal Financial Corp. (MHC)	NASDAQ	SE	Seneca	SC	482	7	Jun	1/14/11	26.33	152
LSBK	Lake Shore Bancorp, Inc. (MHC)	NASDAQ	MA	Dunkirk	NY	494	11	Dec	4/4/06	15.83	97
MGYR	Magyar Bancorp, Inc. (MHC)	NASDAQ	MA	New Brunswick	NJ	583	6	Sep	1/24/06	13.00	76
KFFB	Kentucky First Federal Bancorp (MHC)	NASDAQ	MW	Frankfort	KY	306	7	Jun	3/3/05	9.63	81
TFSL	TFS Financial Corporation (MHC)	NASDAQ	MW	Cleveland	OH	13,406	38	Sep	4/23/07	16.79	4,747
GCBC	Greene County Bancorp, Inc. (MHC)	NASDAQ	MA	Catskill	NY	958	15	Jun	12/30/98	23.75	202

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 May 5, 2017

	Market Capitalization		Per Share Data		Pricing Ratios(2)								Dividends(3)			Financial Characteristics(5)							
	Price/Share	Market Value	12 Month EPS(1)	Value/Share	P/E	P/B	P/A	P/TB	P/Core	Amount/Share	Yield	Payout Ratio(4)	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	\$22.35	\$ 546.69	\$ 1.03	\$16.64	20.24x	131.15%	15.96%	145.09%	20.83x	\$ 0.37	1.66%	56.54%	\$ 3,327	12.60%	11.54%	0.96%	0.74%	6.30%	0.74%	6.12%			
Median	\$17.55	\$ 161.01	\$ 0.77	\$14.81	18.98x	126.65%	15.60%	130.77%	20.11x	\$ 0.26	1.36%	45.58%	\$ 1,081	11.57%	10.67%	0.84%	0.63%	5.99%	0.64%	5.68%			
Comparable Group																							
Averages	\$16.81	\$ 878.15	\$ 0.80	\$13.51	20.41x	130.49%	15.45%	150.10%	20.40x	\$ 0.33	1.89%	66.48%	\$ 5,381	12.19%	10.78%	1.02%	0.67%	5.63%	0.71%	5.85%			
Medians	\$15.80	\$ 299.00	\$ 0.69	\$13.46	19.36x	126.25%	15.60%	138.86%	18.42x	\$ 0.26	1.58%	56.03%	\$ 1,407	11.14%	9.77%	0.85%	0.53%	5.57%	0.82%	7.24%			
Comparable Group																							
BYBK	MD	\$ 7.05	\$ 74.33	\$ 0.26	\$ 6.38	30.65x	110.48%	11.74%	115.27%	27.35x	\$ 0.00	0.00%	NM	\$ 633	10.62%	10.23%	NA	0.47%	4.16%	0.53%	4.62%		
BNCL	PA	\$15.80	\$1,209.49	\$ 0.47	\$13.46	NM	117.36%	20.62%	141.03%	33.67x	\$ 0.24	1.52%	61.54%	\$ 5,862	17.57%	15.07%	NA	0.51%	2.82%	0.61%	3.36%		
CARV	(7) NY	\$ 4.00	\$ 14.78	(\$ 0.64)	\$ 1.71	NM	234.56%	2.26%	234.56%	NM	\$ 0.00	0.00%	NM	\$ 699	7.36%	7.36%	2.41%	0.28%	-3.76%	0.30%	-3.91%		
CSBK	(7) NJ	\$16.31	\$ 375.52	\$ 0.20	\$13.15	NM	124.02%	27.41%	124.02%	NM	\$ 0.24	1.47%	120.00%	\$ 1,371	22.10%	22.10%	0.39%	0.34%	1.40%	0.34%	1.38%		
DCOM	NY	\$19.50	\$ 732.60	\$ 1.12	\$15.26	21.43x	127.80%	12.02%	141.54%	17.44x	\$ 0.56	2.87%	61.54%	\$ 6,095	9.40%	8.57%	0.23%	0.58%	6.04%	0.71%	7.36%		
ESBK	NY	\$20.80	\$ 68.72	\$ 1.28	\$16.82	16.38x	123.67%	10.48%	168.51%	16.29x	\$ 0.92	4.42%	72.44%	\$ 557	10.08%	8.04%	NA	0.77%	7.82%	0.78%	7.88%		
ESSA	PA	\$14.76	\$ 170.84	\$ 0.66	\$15.44	22.03x	95.57%	9.71%	104.94%	22.43x	\$ 0.36	2.44%	53.73%	\$ 1,759	10.16%	9.34%	NA	0.41%	4.09%	0.40%	4.02%		
FSBC	NY	\$15.02	\$ 29.16	NA	\$16.43	33.00x	91.44%	10.19%	91.44%	NM	NA	NA	NM	\$ 286	11.14%	11.14%	NA	0.33%	3.14%	NA	NA		
HBK	(7) MD	\$15.12	\$ 51.55	\$ 0.17	\$17.77	NM	85.07%	10.33%	100.65%	NM	NA	NA	NM	\$ 500	12.14%	10.46%	1.08%	0.03%	0.27%	0.11%	0.90%		
HVBC	(7) PA	\$14.10	\$ 30.77	NA	NA	NM	NA	NA	NA	NM	NA	NA	NM	\$ 239	5.41%	5.41%	0.64%	NA	7.53%	NA	7.42%		
ISBC	NJ	\$13.45	\$4,174.41	\$ 0.66	\$10.18	20.38x	132.16%	17.47%	137.08%	20.38x	\$ 0.32	2.38%	45.45%	\$23,889	13.22%	NA	0.44%	0.86%	6.16%	0.86%	6.11%		
KRNY	NJ	\$14.60	\$1,273.94	\$ 0.21	\$12.54	NM	116.45%	26.56%	129.46%	NM	\$ 0.12	0.82%	42.86%	\$ 4,796	22.81%	NA	NA	0.42%	1.69%	0.42%	1.69%		
MLVF	PA	\$21.95	\$ 144.27	\$ 1.82	\$14.83	11.80x	148.02%	15.00%	148.02%	12.09x	\$ 0.11	0.00%	NM	\$ 962	10.13%	10.13%	0.33%	1.43%	13.01%	1.40%	12.71%		
MSBF	NJ	\$17.00	\$ 97.40	NA	\$12.93	NM	131.50%	20.21%	131.50%	NM	\$ 0.00	0.00%	NM	\$ 482	15.37%	15.37%	NA	0.37%	2.08%	NA	NA		
NYCB	NY	\$13.24	\$6,475.16	NA	\$12.57	13.79x	105.36%	13.40%	174.59%	NM	\$ 0.68	5.14%	70.83%	\$48,825	13.61%	9.08%	NA	0.96%	7.67%	NA	NA		
NFBK	NJ	\$17.96	\$ 877.24	\$ 0.72	\$12.91	25.66x	139.16%	22.82%	148.60%	25.12x	\$ 0.32	1.78%	45.71%	\$ 3,844	16.40%	15.52%	0.71%	0.85%	5.24%	0.87%	5.36%		
NWBI	PA	\$16.08	\$1,639.97	\$ 0.86	\$11.55	33.50x	139.27%	16.85%	195.36%	18.72x	\$ 0.64	3.98%	129.17%	\$ 9,732	12.10%	8.94%	1.08%	0.53%	4.26%	0.94%	7.54%		
OCFC	NJ	\$28.10	\$ 908.88	\$ 1.55	\$17.95	25.78x	156.57%	17.56%	214.92%	18.13x	\$ 0.60	2.14%	53.21%	\$ 5,196	11.21%	8.43%	1.11%	0.70%	6.66%	0.98%	9.22%		
ORIT	NJ	\$16.85	\$ 773.01	\$ 0.96	\$12.13	13.06x	138.86%	18.73%	138.86%	17.58x	\$ 0.70	4.15%	93.02%	\$ 4,126	13.49%	13.49%	NA	1.50%	10.60%	1.11%	7.85%		
PBHC	NY	\$15.04	\$ 63.87	NA	\$13.98	18.34x	107.57%	7.97%	116.88%	NM	\$ 0.20	1.33%	24.39%	\$ 802	7.46%	6.91%	NA	0.49%	5.90%	NA	NA		
PFS	NJ	\$25.65	\$1,701.99	\$ 1.44	\$19.10	18.06x	134.32%	17.90%	204.30%	17.79x	\$ 0.76	2.96%	52.11%	\$ 9,510	13.32%	NA	NA	0.97%	7.25%	0.97%	7.24%		
PBIP	PA	\$17.75	\$ 160.03	NA	NA	NM	126.25%	NA	126.25%	NM	\$ 0.12	0.68%	171.43%	\$ 844	15.49%	14.69%	NA	0.06%	0.30%	NA	NA		
SVBI	MD	\$ 7.11	\$ 86.15	NA	NA	5.92x	101.72%	NA	102.12%	NM	\$ 0.00	0.00%	NM	\$ 799	11.12%	11.09%	3.15%	1.98%	17.19%	NA	NA		
TRST	NY	\$ 7.95	\$ 763.18	\$ 0.44	\$ 4.57	17.67x	173.82%	15.60%	174.04%	17.97x	\$ 0.26	3.30%	58.33%	\$ 4,887	8.98%	8.97%	0.85%	0.89%	9.97%	0.88%	9.80%		
WSFS	DE	\$47.15	\$1,483.24	\$ 2.29	\$22.38	22.03x	210.69%	21.64%	297.96%	20.61x	\$ 0.28	0.59%	12.62%	\$ 6,853	10.27%	NA	0.88%	1.06%	10.11%	1.12%	10.66%		
WVFC	PA	\$15.20	\$ 30.52	NA	\$16.78	17.88x	90.58%	8.85%	90.58%	NM	\$ 0.24	1.58%	28.24%	\$ 345	9.77%	9.77%	NA	0.48%	4.86%	NA	NA		

(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-3

Public Market Pricing of New England Thrift Institutions

Exhibit III-3
Public Market Pricing of New England Institutions
As of May 5, 2017

	Market Capitalization		Per Share Data		Pricing Ratios(2)					Dividends(3)			Financial Characteristics(5)								
	Price/Share	Market Value	12 Month EPS(1)	Book Value/Share	P/E	P/B	P/A	P/TB	P/Core	Amount/Share	Yield	Payout Ratio(4)	Total Assets	Equity/Assets	Tang. Eq./T. Assets	NPA's/Assets	Reported		Core		
	(\$)	(\$Mil)	(\$)	(\$)	(x)	(%)	(%)	(%)	(x)	(\$)	(%)	(%)	(\$Mil)	(%)	(%)	(%)	ROAA	ROAE	ROAA	ROAE	
All Non-MHC Public Companies(6)																					
Averages	\$ 22.35	\$546.69	\$ 1.03	\$16.64	20.24x	131.15%	15.96%	145.09%	20.83x	\$ 0.37	1.66%	56.54%	\$3,327	12.60%	11.54%	0.96%	0.74%	6.30%	0.74%	6.12%	
Median	\$ 17.55	\$161.01	\$ 0.77	\$14.81	18.98x	126.65%	15.60%	130.77%	20.11x	\$ 0.26	1.36%	45.58%	\$1,081	11.57%	10.67%	0.84%	0.63%	5.99%	0.64%	5.68%	
Comparable Group																					
Averages	\$ 30.36	\$352.65	\$ 0.71	\$19.17	23.35x	140.12%	15.94%	148.45%	22.78x	\$ 0.36	1.31%	29.84%	\$2,137	11.96%	11.13%	0.76%	0.59%	5.56%	0.53%	4.60%	
Medians	\$ 17.88	\$300.00	\$ 0.63	\$14.78	24.34x	129.21%	15.27%	139.13%	24.39x	\$ 0.20	1.16%	23.33%	\$2,063	11.34%	10.89%	0.53%	0.58%	5.27%	0.55%	4.95%	
Comparable Group																					
BHBK Inc.	MA	\$ 18.45	\$495.54	\$ 0.44	\$14.78	30.75x	124.84%	19.85%	128.17%	NM	\$ 0.20	1.08%	23.33%	\$2,497	15.90%	15.55%	0.53%	0.62%	3.69%	0.46%	2.73%
BLMT Inc.	MA	\$ 29.05	\$281.45	\$ 1.44	\$17.03	20.03x	170.62%	12.31%	170.62%	20.11x	NA	NA	NM	\$2,287	7.21%	7.21%	0.30%	0.63%	8.32%	0.63%	8.29%
CWAY Inc.	RI	\$ 20.20	\$ 88.73	\$ 0.83	\$15.68	24.34x	128.82%	14.03%	128.82%	24.34x	NA	NA	NM	\$ 633	10.89%	10.89%	2.14%	0.55%	4.95%	0.55%	4.95%
FBNK Inc.	CT	\$ 26.40	\$420.40	\$ 1.08	\$16.62	24.44x	158.83%	14.47%	158.83%	24.44x	\$ 0.44	1.67%	32.41%	\$2,904	9.11%	9.11%	0.83%	0.60%	6.45%	0.60%	6.45%
HIFS	MA	\$180.60	\$385.17	NA	\$78.29	16.07x	230.69%	18.89%	230.69%	NM	\$ 1.28	0.71%	14.06%	\$2,039	8.19%	8.19%	NA	1.23%	15.53%	NA	NA
MELR Inc.	(7) MA	\$ 16.75	\$ 43.59	\$ 0.32	\$16.64	28.39x	100.65%	16.22%	100.65%	NM	NA	NA	NM	\$ 269	16.12%	16.12%	0.00%	0.56%	3.23%	0.30%	1.75%
EBSB Inc.	MA	\$ 17.25	\$925.14	\$ 0.63	\$11.49	25.00x	150.14%	19.94%	153.55%	27.26x	\$ 0.16	0.93%	18.84%	\$4,639	13.28%	13.03%	NA	0.86%	6.00%	0.79%	5.51%
PBBI Inc.	(7) CT	\$ 10.35	\$ 81.52	\$ 0.17	\$10.86	NM	95.22%	15.66%	103.59%	NM	\$ 0.16	1.55%	61.90%	\$ 521	16.45%	15.32%	NA	0.31%	1.90%	0.25%	1.53%
RNDB Inc.	MA	\$ 15.20	\$ 89.21	NA	NA	NM	107.09%	NA	NA	NM	NA	NA	NM	\$ 482	17.19%	NA	NA	0.00%	0.02%	0.21%	1.38%
SIFI	CT	\$ 14.95	\$182.41	NA	\$13.61	15.41x	109.85%	11.45%	122.66%	NM	\$ 0.20	1.34%	18.56%	\$1,593	10.43%	9.44%	NA	0.75%	7.10%	NA	NA
UBNK Inc.	CT	\$ 17.31	\$878.00	\$ 1.09	\$13.13	16.97x	131.84%	13.11%	161.05%	15.92x	\$ 0.48	2.77%	47.06%	\$6,697	9.95%	8.29%	NA	0.80%	7.96%	0.85%	8.49%
WEBK Inc.	MA	\$ 27.00	\$ 67.09	NA	\$22.69	20.93x	118.99%	9.53%	118.99%	NM	\$ 0.16	0.59%	12.40%	\$ 704	8.01%	8.01%	NA	0.46%	5.59%	NA	NA
WNEB Inc.	MA	\$ 10.35	\$318.56	\$ 0.42	\$ 7.99	34.50x	129.60%	15.27%	139.13%	24.59x	\$ 0.12	1.16%	40.00%	\$2,087	11.78%	11.06%	NA	0.48%	4.21%	0.64%	5.61%
HONE Inc.(MHC)	MA	\$ 21.18	\$680.32	NA	\$10.36	NM	204.46%	26.51%	213.15%	NM	NA	NA	NM	\$2,566	12.97%	12.50%	NA	0.36%	2.88%	0.50%	3.95%

- (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. Pop. 2022	2010-2017 % Change	2017-2022 % Change	Per Capita Income		Deposit Market Share(1)
		2010	2017				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%
Hamilton Bancorp, Inc. - MD	Baltimore	805,029	837,393	864,191	0.6%	0.6%	37,687	95.6%	3.85%
Malvern Bancorp, Inc. - PA	Chester	498,886	520,584	533,821	0.6%	0.5%	47,548	148.5%	24.36%
Pathfinder Bancorp, Inc. - NY	Oswego	122,109	119,387	118,576	-0.3%	-0.1%	25,871	72.4%	18.61%
PB Bancorp, Inc. - CT	Windham	118,428	115,983	114,922	-0.3%	-0.2%	29,250	69.8%	0.98%
Prudential Bancorp, Inc. - PA	Philadelphia	1,526,006	1,577,265	1,608,752	0.5%	0.4%	24,834	77.6%	1.78%
Wellesley Bancorp, Inc. - MA	Norfolk	670,850	702,290	726,490	0.7%	0.7%	52,193	125.5%	14.47%
	Averages:	478,461	495,773	508,026	0.3%	0.3%	36,775	99.2%	10.07%
	Medians:	392,986	416,947	431,888	0.4%	0.4%	33,717	89.6%	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 May 5, 2017**

Exhibit IV-1A
Weekly Thrift Market Line - Part One
Prices As of May 5, 2017

Companies			Market Capitalization			Price Change Data						Current Per Share Financials				
			Price/	Shares	Market	52 Week (1)		Last Wk	% Change From			LTM	LTM Core	BV/	TBV/	Assets/
			Share(1)	Outstanding	Capitalization	High	Low		Last Wk	Last Wk	52 Wks (2)					
(\$)	(000)	(\$Mil)	(\$)	(\$)	(\$)	(%)	(%)	(%)	(\$)	(\$)	(\$)	(\$)	(\$)			
BCTF	Bancorp 34, Inc.	WA	12.93	3,438	44.5	13.45	10.26	12.62	2.45	20.33	2.70	1.57	1.59	14.77	14.69	95.65
BKMU	Bank Mutual Corporation	NC	9.40	45,932	431.8	10.20	7.31	9.20	2.17	17.79	-0.53	0.36	0.36	6.28	6.28	58.09
BYBK	Bay Bancorp, Inc.	NM	7.05	10,544	74.3	8.25	4.87	7.25	-2.69	39.60	6.82	NA	0.26	6.38	6.12	60.07
BNCL	Beneficial Bancorp, Inc.	WI	15.80	76,550	1,209.5	19.00	12.34	16.00	-1.25	14.83	-14.13	0.39	0.47	13.46	11.20	76.58
BHBK	Blue Hills Bancorp, Inc.	MD	18.45	26,858	495.5	19.73	13.78	18.10	1.93	27.77	-1.60	0.60	0.44	14.78	14.40	92.95
BOFI	BofI Holding, Inc.	PA	24.03	63,390	1,523.3	32.57	15.29	23.89	0.59	26.94	-15.83	2.04	2.03	12.55	12.55	137.25
BYFC	Broadway Financial Corporation	MA	1.89	27,301	51.6	2.50	1.42	1.77	6.78	-4.55	15.60	0.15	NA	1.71	1.71	16.63
BLMT	BSB Bancorp, Inc.	CA	29.05	9,688	281.4	30.05	21.66	29.15	-0.34	27.92	0.35	1.45	1.44	17.03	17.03	236.04
CFFN	Capitol Federal Financial, Inc.	CA	14.65	138,188	2,024.5	17.04	12.97	14.63	0.14	11.15	-11.00	0.62	0.62	10.00	10.00	66.91
CARV	Carver Bancorp, Inc.	MA	4.00	3,696	14.8	6.61	2.87	4.37	-8.47	15.27	24.05	-0.62	-0.64	1.71	1.71	189.09
CHFEN	Charter Financial Corporation	KS	19.15	15,061	288.4	21.11	12.36	18.35	4.36	52.71	14.88	0.90	1.10	13.84	11.70	98.59
CSBK	Clifton Bancorp, Inc.	NY	16.31	23,024	375.5	17.49	14.11	16.70	-2.34	10.13	-3.61	0.20	0.20	13.15	13.15	59.56
CWAY	Coastway Bancorp, Inc.	GA	20.20	4,392	88.7	20.25	12.25	19.21	5.15	65.98	29.07	0.83	0.83	15.68	15.68	144.11
DCOM	Dime Community Bancshares, Inc.	NJ	19.50	37,569	732.6	22.48	16.10	19.45	0.26	11.11	-2.99	0.91	1.12	15.26	13.78	162.24
ESBK	Elmira Savings Bank	RI	20.80	3,304	68.7	22.25	18.42	21.46	-3.09	12.62	1.71	1.27	1.28	16.82	12.34	168.48
EQFN	Equitable Financial Corp.	NY	10.50	3,391	35.6	10.50	8.16	10.50	-0.05	25.19	6.01	0.33	0.34	10.54	10.54	68.18
ESSA	ESSA Bancorp, Inc.	NY	14.76	11,575	170.8	16.91	12.93	15.13	-2.45	8.53	-6.11	0.67	0.66	15.44	14.07	151.94
FCAP	First Capital, Inc.	NE	33.00	3,338	110.1	35.00	26.58	32.00	3.13	13.60	1.79	2.04	NA	23.09	20.79	228.29
FBNK	First Connecticut Bancorp, Inc.	PA	26.40	15,924	420.4	27.50	15.74	26.70	-1.12	58.94	16.56	1.08	1.08	16.62	16.62	182.38
FDEF	First Defiance Financial Corp.	IN	54.82	10,145	556.2	56.20	35.90	53.64	2.20	39.85	8.04	2.93	3.14	34.92	25.35	288.75
FNWB	First Northwest Bancorp	CT	16.77	12,078	202.5	17.24	12.42	16.46	1.88	27.43	7.50	0.47	0.41	14.78	14.78	89.53
FBC	Flagstar Bancorp, Inc.	OH	30.44	57,044	1,736.4	30.70	21.78	29.24	4.10	31.32	12.99	2.57	NA	24.03	24.03	269.29
FSBW	FS Bancorp, Inc.	WA	44.11	3,065	135.2	44.98	24.32	43.55	1.29	79.97	22.70	3.85	NA	27.39	26.11	286.40
FSBC	FSB Bancorp, Inc.	MI	15.02	1,942	29.2	15.10	11.50	15.00	0.13	22.64	5.77	0.46	NA	16.43	16.43	147.44
HBK	Hamilton Bancorp, Inc.	WA	15.12	3,409	51.5	15.60	13.33	15.00	0.80	11.92	6.11	0.05	0.17	17.77	15.02	146.61
HIFS	Hingham Institution for Savings	NY	180.60	2,133	385.2	203.01	120.25	179.49	0.62	41.03	-8.22	11.24	NA	78.29	78.29	956.28
HMNF	HMN Financial, Inc.	MD	17.55	4,495	78.9	18.70	12.15	17.40	0.86	41.70	0.29	1.21	NA	17.22	16.94	151.49

HFBL	Home Federal Bancorp, Inc. of Louisiana	MA	29.89	1,954	58.4	29.89	21.20	29.20	2.36	34.16	11.28	1.89	1.89	23.12	23.12	212.90
HVBC	HV Bancorp, Inc.	MN	14.10	2,182	30.8	14.58	13.08	14.24	-0.98	NA	NA	NA	NA	NA	NA	109.59
IROQ	IF Bancorp, Inc.	LA	20.00	3,940	78.8	20.75	17.85	20.00	0.00	6.84	8.11	1.18	NA	21.12	21.12	150.10
ISBC	Investors Bancorp, Inc.	PA	13.45	310,365	4,174.4	15.11	10.67	13.85	-2.89	17.57	-3.58	0.66	0.66	10.18	NA	76.97
JXSB	Jacksonville Bancorp, Inc.	IL	30.50	1,806	55.1	37.20	26.00	30.50	0.00	16.63	1.67	1.66	1.50	26.32	24.81	175.76
KRNY	Kearny Financial Corp.	NJ	14.60	87,256	1,273.9	16.10	12.14	14.60	0.00	17.46	-6.11	0.21	0.21	12.54	NA	54.97
MLVF	Malvern Bancorp, Inc.	IL	21.95	6,573	144.3	22.00	15.00	21.70	1.15	38.75	3.78	1.86	1.82	14.83	14.83	146.34
MELR	Melrose Bancorp, Inc.	NJ	16.75	2,602	43.6	18.10	14.60	17.10	-2.04	11.60	-6.68	0.59	0.32	16.64	16.64	103.24
EBSB	Meridian Bancorp, Inc.	PA	17.25	53,631	925.1	20.55	13.41	17.55	-1.71	18.88	-8.73	0.69	0.63	11.49	11.23	86.49
CASH	Meta Financial Group, Inc.	MA	86.60	9,350	809.7	106.90	47.36	84.90	2.00	78.67	-15.84	5.30	6.41	44.04	26.35	426.27
MSBF	MSB Financial Corp.	MA	17.00	5,729	97.4	17.70	12.82	17.60	-3.41	29.57	15.65	0.28	NA	12.93	12.93	84.11
NYCB	New York Community Bancorp, Inc.	SD	13.24	489,061	6,475.2	17.68	12.97	13.29	-0.38	-8.31	-16.78	0.96	NA	12.57	7.58	99.83
NFBK	Northfield Bancorp, Inc.	NJ	17.96	48,844	877.2	20.59	14.31	18.38	-2.29	15.13	-10.07	0.70	0.72	12.91	12.09	78.70
NWBI	Northwest Bancshares, Inc.	NY	16.08	101,988	1,640.0	19.10	13.83	16.14	-0.37	15.19	-10.82	0.48	0.86	11.55	8.23	95.42
OCFC	OceanFirst Financial Corp.	NJ	28.10	32,344	908.9	30.70	16.77	27.65	1.63	56.02	-6.43	1.09	1.55	17.95	13.07	160.66
ORIT	Oritani Financial Corp.	PA	16.85	45,876	773.0	19.00	15.27	16.95	-0.59	1.02	-10.13	1.29	0.96	12.13	12.13	89.94
OTTW	Ottawa Bancorp, Inc.	NJ	13.41	3,467	46.5	13.99	9.06	13.51	-0.74	37.22	5.34	0.40	0.41	15.06	14.77	68.19
PBHC	Pathfinder Bancorp, Inc.	NJ	15.04	4,247	63.9	15.19	11.12	15.00	0.27	30.90	11.49	0.82	NA	13.98	12.87	188.92
PBBI	PB Bancorp, Inc.	IL	10.35	7,880	81.5	10.85	8.36	10.45	-1.00	21.28	4.54	0.21	0.17	10.86	9.99	66.05
PCSB	PCSB Financial Corporation	NY	16.46	18,165	299.0	16.80	15.76	16.31	0.92	NA	NA	NA	NA	NA	NA	77.47
PBSK	Poage Bankshares, Inc.	CT	19.45	3,684	71.7	20.90	15.50	19.75	-1.52	22.79	3.46	0.50	0.58	18.54	17.93	124.45
PROV	Provident Financial Holdings, Inc.	KY	19.00	7,886	149.8	20.66	17.20	19.23	-1.20	5.38	-6.03	0.83	NA	16.69	16.69	152.11
PFS	Provident Financial Services, Inc.	CA	25.65	66,354	1,702.0	28.92	18.59	25.69	-0.16	30.80	-9.36	1.42	1.44	19.10	NA	143.32
PBIP	Prudential Bancorp, Inc.	NJ	17.75	9,016	160.0	18.74	13.80	17.92	-0.95	20.09	3.68	0.07	NA	NA	NA	93.64
RNDB	Randolph Bancorp, Inc.	PA	15.20	5,869	89.2	16.50	12.06	15.22	-0.15	NA	-5.70	NA	NA	NA	NA	82.21
RVSB	Riverview Bancorp, Inc.	MA	7.11	22,511	160.1	8.16	4.25	7.26	-2.07	63.45	1.57	0.33	NA	4.94	3.68	50.37
SVBI	Severn Bancorp, Inc.	WA	7.11	12,125	86.1	8.08	5.66	7.10	0.07	22.08	-10.06	1.20	NA	NA	NA	65.88
SIFI	SI Financial Group, Inc.	MD	14.95	12,202	182.4	16.23	12.30	14.95	0.00	6.94	-2.92	0.97	NA	13.61	12.19	130.55
SBCP	Sunshine Bancorp, Inc.	CT	22.31	8,039	179.3	22.39	13.92	21.49	3.82	58.79	30.16	0.17	0.49	14.19	11.44	118.97

TBNK	Territorial Bancorp Inc.	FL	30.85	9,808	302.6	34.00	25.39	30.95	-0.32	18.65	-6.06	1.80	1.77	23.72	23.72	197.38
TSBK	Timberland Bancorp, Inc.	HI	21.92	7,345	161.0	23.43	13.95	22.06	-0.63	56.68	6.10	1.59	1.58	14.27	13.50	128.88
TRST	TrustCo Bank Corp NY	WA	7.95	95,997	763.2	9.00	6.00	7.95	0.00	26.79	-9.14	0.45	0.44	4.57	4.57	50.91
UCBA	United Community Bancorp	NY	18.00	4,205	75.7	18.00	13.86	17.75	1.41	24.14	7.78	0.80	0.80	16.64	15.99	129.75
UBNK	United Financial Bancorp, Inc.	IN	17.31	50,722	878.0	18.66	12.42	17.27	0.23	36.08	-4.68	1.02	1.09	13.13	10.75	132.03
WSBF	Waterstone Financial, Inc.	CT	19.55	29,459	575.9	20.40	13.83	19.00	2.89	38.36	6.25	1.03	1.03	14.09	14.07	58.63
WAYN	Wayne Savings Bancshares, Inc.	WI	17.79	2,782	49.5	18.75	12.15	18.24	-2.47	34.25	7.82	0.77	0.77	14.88	14.26	161.27
WCFB	WCF Bancorp, Inc.	OH	10.00	2,562	25.6	10.30	8.15	9.84	1.63	-1.64	0.00	0.05	0.01	11.26	NA	48.27
WEBK	Wellesley Bancorp, Inc.	IA	27.00	2,485	67.1	28.25	19.60	27.70	-2.53	33.67	-2.70	1.29	NA	22.69	22.69	283.42
WBB	Westbury Bancorp, Inc.	MA	20.30	4,038	82.0	23.00	18.80	20.70	-1.93	2.22	-1.93	0.82	0.72	19.58	19.58	187.13
WNEB	Western New England Bancorp, Inc.	WI	10.35	30,779	318.6	10.75	7.35	10.50	-1.43	37.09	10.70	0.30	0.42	7.99	7.44	67.79
WBKC	Wolverine Bancorp, Inc.	MA	32.00	2,106	67.4	35.00	25.37	29.91	6.98	23.93	1.27	2.16	2.16	28.95	28.95	206.27
WSFS	WSFS Financial Corporation	MI	47.15	31,458	1,483.2	50.55	30.56	47.20	-0.11	41.04	1.73	2.14	2.29	22.38	NA	217.84
WVFC	WVS Financial Corp.	DE	15.20	2,008	30.5	15.50	10.73	15.12	0.50	29.03	3.23	0.85	NA	16.78	16.78	171.80

Exhibit IV-1A
Weekly Thrift Market Line - Part One
Prices As of May 5, 2017

Companies	Market Capitalization			Price Change Data						Current Per Share Financials						
	Price/ Share(1)	Shares Outstanding	Market Capitalization	52 Week (1)		Last Wk	% Change From			LTM EPS (3)	LTM Core EPS (3)	BV/ Share	TBV/ Share (4)	Assets/ Share		
	(\$)	(000)	(\$Mil)	High	Low		Last Wk	Last Wk	52 Wks (2)						MRY (2)	(\$)
MHCs																
HONE	HarborOne Bancorp, Inc. (MHC)	PA	21.18	32,121	680.3	21.44	12.53	20.82	1.73	NA	9.51	NA	NA	10.36	9.94	79.89
PVBC	Provident Bancorp, Inc. (MHC)	NY	20.50	9,641	197.6	22.90	13.72	21.30	-3.76	48.66	14.53	0.73	0.65	11.54	11.54	86.40
OFED	Oconee Federal Financial Corp. (MHC)	MA	26.33	5,791	152.4	27.00	19.25	25.74	2.27	38.12	12.02	0.94	0.93	14.49	13.93	83.25
LSBK	Lake Shore Bancorp, Inc. (MHC)	KY	15.83	6,116	96.8	16.59	12.97	15.79	0.25	5.53	-2.69	0.38	0.37	NA	NA	80.75
MGYR	Magyar Bancorp, Inc. (MHC)	NY	13.00	5,821	75.7	14.95	9.65	12.56	3.50	27.08	8.33	0.21	NA	8.29	8.29	100.10
KFFB	Kentucky First Federal Bancorp (MHC)	NJ	9.63	8,440	81.2	10.15	8.00	9.70	-0.77	7.07	7.12	0.14	0.14	7.95	6.24	36.24
TFSL	TFS Financial Corporation (MHC)	SC	16.79	282,734	4,747.1	19.89	15.93	16.54	1.51	-7.19	-11.82	0.30	NA	5.93	5.89	47.42
GCBC	Greene County Bancorp, Inc. (MHC)	MA	23.75	8,503	201.9	25.30	15.40	24.75	-4.04	29.08	3.71	1.26	NA	9.52	9.52	112.73
Under Acquisition																
ANCB	Anchor Bancorp	OH	25.10	2,504	62.9	27.50	22.61	25.10	0.00	0.74	-7.72	0.83	0.83	25.95	25.95	185.85
ASBB	ASB Bancorp, Inc.	NY	41.60	3,788	157.6	42.00	24.31	35.04	18.74	63.78	39.83	0.46	1.75	24.75	24.75	212.12
AF	Astoria Financial Corporation	FL	20.42	101,726	2,077.2	21.66	14.11	20.39	0.15	39.58	9.49	0.58	0.62	15.67	13.85	140.99
EVER	EverBank Financial Corp	MA	19.50	127,880	2,493.7	19.52	13.37	19.50	0.00	36.65	0.26	1.13	NA	14.94	14.56	217.21

- (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 May 5, 2017

Companies			Key Financial Ratios						Asset Quality Ratios		Pricing Ratios					Dividend Data (6)		
			Equity/ Assets(1)	Tang Equity/ Assets(1)	Reported Earnings		Core Earnings		NPAs/ Assets	Rsvs/ NPLs	Price/ Earnings	Price/ Book	Price/ Assets	Price/ Tang Book	Price/ Core Earnings	Div/ Share	Dividend Yield	Payout Ratio (7)
			(%)	(%)	ROA(5) (%)	ROE(5) (%)	ROA(5) (%)	ROE(5) (%)	(%)	(%)	(x)	(%)	(%)	(%)	(x)	(\$)	(%)	(%)
BCTF	Bancorp 34, Inc.	WA	13.96	13.96	0.46	3.18	0.46	3.18	NA	NA	30.24	96.74	13.51	96.74	30.24	NA	NA	NM
BKMU	Bank Mutual Corporation	NC	11.67	11.67	0.24	2.09	0.79	6.81	1.28	130.70	NM	168.11	19.61	168.11	23.81	NA	NA	NM
BYBK	Bay Bancorp, Inc.	NM	15.44	15.37	1.78	16.31	1.80	16.47	1.81	41.99	8.24	87.55	13.52	88.04	8.16	0.59	0.00	NM
BNCL	Beneficial Bancorp, Inc.	WI	10.81	10.81	0.61	5.61	0.62	5.63	0.50	181.63	26.11	149.67	16.18	149.67	26.04	0.22	2.34	61.11
BHBK	Blue Hills Bancorp, Inc.	MD	10.62	10.23	0.47	4.16	0.53	4.62	NA	NA	30.65	110.48	11.74	115.27	27.35	0.00	0.00	NM
BOFI	Boff Holding, Inc.	PA	17.57	15.07	0.51	2.82	0.61	3.36	NA	NA	40.51	117.36	20.62	141.03	33.67	0.24	1.52	61.54
BYFC	Broadway Financial Corporation	MA	15.90	15.55	0.62	3.69	0.46	2.73	0.53	142.51	30.75	124.84	19.85	128.17	41.53	0.20	1.08	23.33
BLMT	BSB Bancorp, Inc.	CA	9.20	9.20	1.68	18.26	1.67	18.15	0.39	138.09	11.78	191.55	17.52	191.55	11.85	NA	NA	NM
CFFN	Capitol Federal Financial, Inc.	CA	10.32	10.32	0.98	8.72	NA	NA	NA	NA	12.60	110.53	11.41	110.53	NA	0.04	0.00	NM
CARV	Carver Bancorp, Inc.	MA	7.21	7.21	0.63	8.32	0.63	8.29	0.30	210.14	20.03	170.62	12.31	170.62	20.11	NA	NA	NM
CHFN	Charter Financial Corporation	KS	14.95	14.95	0.74	5.99	0.74	5.99	0.60	16.12	23.63	146.46	21.89	146.46	23.63	0.34	2.32	141.94
CSBK	Clifton Bancorp Inc.	NY	7.36	7.36	-0.28	-3.76	-0.30	-3.91	2.41	29.47	NM	234.56	2.26	234.56	NM	0.00	0.00	NM
CWAY	Coastway Bancorp, Inc.	GA	14.04	12.14	0.94	6.63	1.15	8.05	0.58	157.19	21.28	138.38	19.42	163.61	17.39	0.26	1.36	25.56
DCOM	Dime Community Bancshares, Inc.	NJ	22.10	22.10	0.34	1.40	0.34	1.38	0.39	120.28	NM	124.02	27.41	124.02	82.44	0.24	1.47	120.00
ESBK	Elmira Savings Bank	RI	10.89	10.89	0.55	4.95	0.55	4.95	2.14	19.48	24.34	128.82	14.03	128.82	24.34	NA	NA	NM
EQFN	Equitable Financial Corp.	NY	9.40	8.57	0.58	6.04	0.71	7.36	0.23	168.45	21.43	127.80	12.02	141.54	17.44	0.56	2.87	61.54
ESSA	ESSA Bancorp, Inc.	NY	10.08	8.04	0.77	7.82	0.78	7.88	NA	NA	16.38	123.67	10.48	168.51	16.29	0.92	4.42	72.44
FCAP	First Capital, Inc.	NE	15.45	15.45	0.49	3.15	0.50	3.22	NA	NA	31.80	99.60	15.39	99.60	31.02	NA	NA	NM
FBNK	First Connecticut Bancorp, Inc.	PA	10.16	9.34	0.41	4.09	0.40	4.02	NA	NA	22.03	95.57	9.71	104.94	22.43	0.36	2.44	53.73
FDEF	First Defiance Financial Corp.	IN	NA	NA	0.92	NA	NA	NA	1.07	91.91	16.18	142.91	NA	158.76	NA	0.84	2.55	41.18
FNWB	First Northwest Bancorp	CT	9.11	9.11	0.60	6.45	0.60	6.45	0.83	88.68	24.44	158.83	14.47	158.83	24.44	0.44	1.67	32.41
FBC	Flagstar Bancorp, Inc.	OH	12.09	9.08	1.08	9.11	1.16	9.78	0.87	103.46	18.71	156.99	18.98	216.27	17.44	1.00	1.82	32.08
FSBW	FS Bancorp, Inc.	WA	16.51	16.51	0.50	2.78	0.43	2.41	NA	NA	35.68	113.45	18.73	113.45	41.19	NA	NA	NM
FSBC	FSB Bancorp, Inc.	MI	8.93	8.93	1.13	11.27	NA	NA	0.72	145.36	11.84	126.65	11.30	126.65	NA	0.00	0.00	NM
HBK	Hamilton Bancorp, Inc.	WA	9.56	9.16	1.40	14.58	NA	NA	NA	NA	11.46	161.03	15.40	168.94	NA	0.44	1.00	10.65
HIFS	Hingham Institution for Savings	NY	11.14	11.14	0.33	3.14	NA	NA	NA	NA	33.00	91.44	10.19	91.44	NA	NA	NA	NM
HMNF	HMN Financial, Inc.	MD	12.14	10.46	0.03	0.27	0.11	0.90	1.08	41.90	NM	85.07	10.33	100.65	87.95	NA	NA	NM
HFBL	Home Federal Bancorp, Inc. of Louisiana	MA	8.19	8.19	1.23	15.53	NA	NA	NA	NA	16.07	230.69	18.89	230.69	NA	1.28	0.71	14.06
HVBC	HV Bancorp, Inc.	MN	11.37	11.21	0.87	7.74	NA	NA	NA	NA	14.50	101.93	11.59	103.57	NA	0.00	0.00	NM

IROQ	IF Bancorp, Inc.	LA	10.86	10.86	0.91	7.91	0.91	7.91	NA	NA	15.81	129.28	14.04	129.28	15.81	0.36	1.20	19.05
ISBC	Investors Bancorp, Inc.	PA	5.41	5.41	NA	7.53	NA	7.42	0.64	42.44	NA	NA	NA	NA	NA	NA	NA	NA
JXSB	Jacksonville Bancorp, Inc.	IL	14.07	14.07	0.75	5.27	NA	NA	NA	NA	16.95	94.72	13.32	94.72	NA	0.16	0.80	13.56
KRNY	Kearny Financial Corp.	NJ	13.22	NA	0.86	6.16	0.86	6.11	0.44	232.54	20.38	132.16	17.47	137.08	20.38	0.32	2.38	45.45
MLVF	Malvern Bancorp, Inc.	IL	14.94	14.20	0.94	6.32	0.86	5.73	1.11	91.09	18.37	115.88	17.31	122.95	20.27	0.40	1.31	24.10
MELR	Melrose Bancorp, Inc.	NJ	22.81	NA	0.42	1.69	0.42	1.69	NA	NA	69.52	116.45	26.56	129.46	69.26	0.12	0.82	42.86
EBSB	Meridian Bancorp, Inc.	PA	10.13	10.13	1.43	13.01	1.40	12.71	0.33	225.18	11.80	148.02	15.00	148.02	12.09	0.11	0.00	NM
CASH	Meta Financial Group, Inc.	MA	16.12	16.12	0.56	3.23	0.30	1.75	0.00	NM	28.39	100.65	16.22	100.65	52.50	NA	NA	NM
MSBF	MSB Financial Corp.	MA	13.28	13.03	0.86	6.00	0.79	5.51	NA	NA	25.00	150.14	19.94	153.55	27.26	0.16	0.93	18.84
NYCB	New York Community Bancorp, Inc.	SD	10.33	6.45	1.36	13.82	1.64	16.70	NA	NA	16.34	196.65	20.32	328.63	13.50	0.52	0.60	9.81
NFBK	Northfield Bancorp, Inc.	NJ	15.37	15.37	0.37	2.08	NA	NA	NA	NA	60.71	131.50	20.21	131.50	NA	0.00	0.00	NM
NWBI	Northwest Bancshares, Inc.	NY	13.61	9.08	0.96	7.67	NA	NA	NA	NA	13.79	105.36	13.40	174.59	NA	0.68	5.14	70.83
OCFC	OceanFirst Financial Corp.	NJ	16.40	15.52	0.85	5.24	0.87	5.36	0.71	95.80	25.66	139.16	22.82	148.60	25.12	0.32	1.78	45.71
ORIT	Oritani Financial Corp.	PA	12.10	8.94	0.53	4.26	0.94	7.54	1.08	61.97	33.50	139.27	16.85	195.36	18.72	0.64	3.98	129.17
OTTW	Ottawa Bancorp, Inc.	NJ	11.21	8.43	0.70	6.66	0.98	9.22	1.11	33.20	25.78	156.57	17.56	214.92	18.13	0.60	2.14	53.21
PBHC	Pathfinder Bancorp, Inc.	NJ	13.49	13.49	1.50	10.60	1.11	7.85	NA	NA	13.06	138.86	18.73	138.86	17.58	0.70	4.15	93.02
PBBI	PB Bancorp, Inc.	IL	22.08	21.76	0.58	3.44	0.60	3.58	NA	NA	33.93	89.05	19.67	90.77	32.64	0.16	1.19	10.12
PCSB	PCSB Financial Corporation	NY	7.46	6.91	0.49	5.90	NA	NA	NA	NA	18.34	107.57	7.97	116.88	NA	0.20	1.33	24.39
PBSK	Poage Bankshares, Inc.	CT	16.45	15.32	0.31	1.90	0.25	1.53	NA	NA	49.26	95.22	15.66	103.59	61.13	0.16	1.55	61.90
PROV	Provident Financial Holdings, Inc.	KY	14.99	14.56	0.40	2.54	0.47	2.94	1.85	30.30	38.90	104.88	15.72	108.49	33.49	0.24	1.23	56.00
PFS	Provident Financial Services, Inc.	CA	10.97	10.97	0.57	5.10	NA	NA	NA	NA	22.89	113.86	12.49	113.86	NA	0.52	2.74	62.65
PBIP	Prudential Bancorp, Inc.	NJ	13.32	NA	0.97	7.25	0.97	7.24	NA	NA	18.06	134.32	17.90	204.30	17.79	0.76	2.96	52.11
RNDB	Randolph Bancorp, Inc.	PA	15.49	14.69	0.06	0.30	NA	NA	NA	NA	NM	126.25	NA	126.25	NA	0.12	0.68	171.43
RVSB	Riverview Bancorp, Inc.	MA	17.19	NA	0.00	0.02	0.21	1.38	NA	NA	NA	107.09	NA	NA	NA	NA	NA	NA
SVBI	Severn Bancorp, Inc.	WA	9.81	7.49	0.75	6.66	NA	NA	NA	NA	21.55	143.85	14.11	193.18	NA	0.08	1.13	24.24
SIFI	SI Financial Group, Inc.	MD	11.12	11.09	1.98	17.19	NA	NA	3.15	34.89	5.92	101.72	NA	102.12	NA	0.00	0.00	NM
SBCP	Sunshine Bancorp, Inc.	CT	10.43	9.44	0.75	7.10	NA	NA	NA	NA	15.41	109.85	11.45	122.66	NA	0.20	1.34	18.56
TBNK	Territorial Bancorp Inc.	FL	11.93	9.85	0.21	1.64	0.42	3.28	NA	NA	NM	157.25	18.75	194.98	45.76	NA	NA	NM
TSBK	Timberland Bancorp, Inc.	HI	12.02	12.02	0.90	7.38	0.89	7.25	NA	NA	17.14	130.03	15.63	130.03	17.45	0.80	2.59	53.33
TRST	TrustCo Bank Corp NY	WA	11.07	10.54	1.29	11.87	1.28	11.80	1.26	115.24	13.79	153.60	17.01	162.35	13.88	0.44	2.01	25.16
UCBA	United Community Bancorp	NY	8.98	8.97	0.89	9.97	0.88	9.80	0.85	114.94	17.67	173.82	15.60	174.04	17.97	0.26	3.30	58.33
UBNK	United Financial Bancorp, Inc.	IN	12.83	12.39	0.62	4.68	0.62	4.65	NA	NA	22.50	108.14	13.87	112.56	22.62	0.24	1.33	30.00

WSBF	Waterstone Financial, Inc.	CT	9.95	8.29	0.80	7.96	0.85	8.49	NA	NA	16.97	131.84	13.11	161.05	15.92	0.48	2.77	47.06
WAYN	Wayne Savings Bancshares, Inc.	WI	24.03	24.00	1.60	6.94	1.60	6.94	1.11	103.85	18.98	138.72	33.34	138.92	18.98	0.48	2.46	87.38
WCFB	WCF Bancorp, Inc.	OH	9.23	8.88	0.47	5.12	0.47	5.12	0.92	73.53	23.10	119.54	11.03	124.72	23.10	0.36	2.02	46.75
WEBK	Wellesley Bancorp, Inc.	IA	23.33	NA	0.09	0.51	0.01	0.07	0.78	53.40	NM	88.80	20.72	86.85	NM	0.20	2.00	400.00
WBB	Westbury Bancorp, Inc.	MA	8.01	8.01	0.46	5.59	NA	NA	NA	NA	20.93	118.99	9.53	118.99	NA	0.16	0.59	12.40
WNEB	Western New England Bancorp, Inc.	WI	10.47	10.47	0.44	3.99	0.38	3.52	0.42	173.42	24.76	103.70	10.85	103.70	28.00	NA	NA	NM
WBKC	Wolverine Bancorp, Inc.	MA	11.78	11.06	0.48	4.21	0.64	5.61	NA	NA	34.50	129.60	15.27	139.13	24.59	0.12	1.16	40.00
WSFS	WSFS Financial Corporation	MI	14.04	14.04	1.14	7.00	1.14	7.00	1.49	146.34	14.81	110.53	15.51	110.53	14.81	1.60	5.00	74.07
WVFC	WVS Financial Corp.	DE	10.27	NA	1.06	10.11	1.12	10.66	0.88	69.95	22.03	210.69	21.64	297.96	20.61	0.28	0.59	12.62

Exhibit IV-1B
Weekly Thrift Market Line - Part Two
Prices As of May 5, 2017

Companies			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 Earnings ROA(5) 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)	(\$)	(%)	(%)
MHCs																		
HONE	HarborOne Bancorp, Inc. (MHC)	PA	9.77	9.77	0.48	4.86	NA	NA	NA	NA	17.88	90.58	8.85	90.58	NA	0.24	1.58	28.24
PVBC	Provident Bancorp, Inc. (MHC)	NY	8.45	8.45	1.20	13.94	NA	NA	NA	NA	18.85	249.47	21.07	249.47	NA	0.38	1.60	30.16
OFED	Oconee Federal Financial Corp. (MHC)	MA	12.97	12.50	0.36	2.88	0.50	3.95	NA	NA	NA	204.46	26.51	213.15	NA	NA	NA	NA
LSBK	Lake Shore Bancorp, Inc. (MHC)	KY	22.06	18.18	0.37	1.64	0.37	1.64	NA	NA	68.75	121.05	26.70	154.21	68.75	0.40	4.16	285.71
MGYR	Magyar Bancorp, Inc. (MHC)	NY	15.51	15.51	0.47	2.97	0.45	2.85	NA	NA	41.66	126.77	NA	126.77	43.22	0.32	2.02	78.95
KFFB	Kentucky First Federal Bancorp (MHC)	NJ	8.28	8.28	0.22	2.62	NA	NA	NA	NA	61.90	156.77	12.99	156.77	NA	NA	NA	NM
TFSL	TFS Financial Corporation (MHC)	SC	17.41	16.84	1.13	6.63	1.12	6.55	1.02	23.84	28.01	181.69	31.62	189.02	28.36	0.40	1.52	42.55
GCBC	Greene County Bancorp, Inc. (MHC)	MA	13.35	13.35	0.86	6.16	0.76	5.47	NA	NA	28.08	177.68	23.73	177.68	31.64	NA	NA	NM
Under Acquisition																		
ANCB	Anchor Bancorp	OH	12.52	12.46	0.67	5.14	NA	NA	1.45	30.16	55.97	283.17	35.45	284.82	NA	0.50	2.98	158.33
ASBB	ASB Bancorp, Inc.	NY	12.02	10.87	0.46	3.95	0.48	4.17	NA	NA	35.21	130.31	14.62	147.43	33.07	0.16	0.78	27.59
AF	Astoria Financial Corporation	FL	7.41	7.25	0.56	8.04	NA	NA	0.66	54.79	17.26	130.54	9.02	133.88	NA	0.24	1.23	21.24
EVER	EverBank Financial Corp	MA	10.07	10.07	0.13	1.25	NA	NA	NA	NA	NM	145.92	14.69	145.92	NA	0.20	0.78	90.91

- (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
2017: Quarter 1	20663.2	2362.7	5911.7	918.9	535.8
As of May 5, 2017	21006.9	2399.3	6100.8	911.9	536.8

(1) End of period data.

Sources: SNL Financial and The Wall Street Journal.

EXHIBIT IV-3

Stock Indices as of May 5, 2017

SNL

Current 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	513.86*	5/5/2017	(1.31)*	(0.25)*	136*	229*	41*
SNL U.S. Bank	536.81*	5/5/2017	(1.40)*	(0.26)*	103*	189*	30*
SNL U.S. Thrift	911.87*	5/5/2017	(0.21)*	(0.02)*	33*	40*	11*
SNL TARP Participants	85.34*	5/5/2017	(0.98)*	(1.13)*	3*	3*	3*
KBW Nasdaq Bank	92.64*	5/5/2017	(0.27)*	(0.29)*	NA*	NA*	NA*
KBW Nasdaq Regional Bank	106.52*	5/5/2017	(0.31)*	(0.29)*	NA*	NA*	NA*
S&P 500 Bank	289.26*	5/5/2017	(0.80)*	(0.28)*	NA*	NA*	NA*
NASDAQ Bank	3,730.27*	5/5/2017	(8.72)*	(0.23)*	NA*	NA*	NA*
S&P 500 Commercial Banks	413.26*	5/5/2017	(1.14)*	(0.28)*	NA*	NA*	NA*
S&P 500 Diversified Banks	491.59*	5/5/2017	(1.21)*	(0.25)*	NA*	NA*	NA*
S&P 500 Regional Banks	103.59*	5/5/2017	(0.42)*	(0.40)*	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	22.81*	5/5/2017	2.37*	11.58*	1*	0*	0*
SNL U.S. Bank \$250M-\$500M	419.04*	5/5/2017	2.88*	0.69*	5*	2*	1*
SNL U.S. Thrift < \$250M	1,247.80*	5/5/2017	(0.65)*	(0.05)*	2*	3*	0*
SNL U.S. Thrift \$250M-\$500M	6,145.03*	5/5/2017	(0.16)*	0.00*	8*	6*	4*
SNL U.S. Bank < \$500M	796.03*	5/5/2017	6.07*	0.77*	6*	2*	1*
SNL U.S. Thrift < \$500M	2,093.36*	5/5/2017	(0.23)*	(0.01)*	10*	9*	4*
SNL U.S. Bank \$500M-\$1B	989.45*	5/5/2017	(1.70)*	(0.17)*	17*	14*	10*
SNL U.S. Thrift \$500M-\$1B	3,057.29*	5/5/2017	(12.37)*	(0.40)*	9*	8*	5*
SNL U.S. Bank \$1B-\$5B	1,152.82*	5/5/2017	(2.51)*	(0.22)*	52*	86*	14*
SNL U.S. Thrift \$1B-\$5B	3,562.96*	5/5/2017	(12.16)*	(0.34)*	8*	15*	1*
SNL U.S. Bank \$5B-\$10B	1,342.69*	5/5/2017	(4.47)*	(0.33)*	9*	34*	3*
SNL U.S. Thrift \$5B-\$10B	988.74*	5/5/2017	(1.03)*	(0.10)*	3*	6*	0*
SNL U.S. Bank > \$10B	464.23*	5/5/2017	(1.21)*	(0.26)*	19*	53*	2*
SNL U.S. Thrift > \$10B	159.40*	5/5/2017	0.37*	0.23*	3*	2*	1*
SNL Market Cap Indexes							
SNL Micro Cap U.S. Bank	638.02*	5/5/2017	0.45*	0.07*	104*	86*	358*
SNL Micro Cap U.S. Thrift	1,072.49*	5/5/2017	(1.69)*	(0.16)*	30*	30*	63*
SNL Micro Cap U.S. Bank & Thrift	739.76*	5/5/2017	0.25*	0.03*	134*	116*	421*
SNL Small Cap U.S. Bank	661.18*	5/5/2017	(1.55)*	(0.23)*	37*	73*	19*
SNL Small Cap U.S. Thrift	784.39*	5/5/2017	(3.74)*	(0.47)*	7*	14*	1*
SNL Small Cap U.S. Bank & Thrift	684.87*	5/5/2017	(1.86)*	(0.27)*	44*	87*	20*
SNL Mid Cap U.S. Bank	418.31*	5/5/2017	(1.52)*	(0.36)*	17*	62*	7*
SNL Mid Cap U.S. Thrift	356.25*	5/5/2017	(0.30)*	(0.09)*	4*	7*	1*
SNL Mid Cap U.S. Bank & Thrift	415.87*	5/5/2017	(1.38)*	(0.33)*	21*	69*	8*
SNL Large Cap U.S. Bank	331.25*	5/5/2017	(0.83)*	(0.25)*	9*	23*	0*

https://www.snl.com/interactivex/indexes.aspx?GeographyGlobalRegion=4&Form_Name=UserInputs&Printable=1&Inde... 5/5/2017

SNL Large Cap U.S. Thrift	135.94*	5/5/2017	1.33*	0.99*	1*	0*	0*
SNL Large Cap U.S. Bank & Thrift	333.16*	5/5/2017	(0.82)*	(0.24)*	10*	23*	0*
SNL Geographic Indexes							
SNL Mid-Atlantic U.S. Bank	490.94*	5/5/2017	(0.44)*	(0.09)*	21*	39*	7*
SNL Mid-Atlantic U.S. Thrift	3,383.61*	5/5/2017	(0.68)*	(0.02)*	12*	15*	4*
SNL Midwest U.S. Bank	634.34*	5/5/2017	(3.73)*	(0.58)*	28*	44*	3*
SNL Midwest U.S. Thrift	3,180.80*	5/5/2017	3.69*	0.12*	9*	9*	2*
SNL New England U.S. Bank	596.06*	5/5/2017	(2.72)*	(0.45)*	5*	13*	2*
SNL New England U.S. Thrift	3,054.09*	5/5/2017	(13.16)*	(0.43)*	6*	8*	2*
SNL Southeast U.S. Bank	332.52*	5/5/2017	(1.44)*	(0.43)*	24*	49*	10*
SNL Southeast U.S. Thrift	425.14*	5/5/2017	(0.64)*	(0.15)*	1*	3*	2*
SNL Southwest U.S. Bank	1,106.12*	5/5/2017	(2.34)*	(0.21)*	8*	15*	5*
SNL Southwest U.S. Thrift	845.06*	5/5/2017	3.69*	0.44*	1*	0*	1*
SNL Western U.S. Bank	1,428.88*	5/5/2017	(1.86)*	(0.13)*	17*	29*	3*
SNL Western U.S. Thrift	131.48*	5/5/2017	0.35*	0.26*	4*	5*	0*
SNL Stock Exchange Indexes							
SNL U.S. Bank NYSE	459.53*	5/5/2017	(1.23)*	(0.27)*	7*	38*	2*
SNL U.S. Thrift NYSE	139.60*	5/5/2017	0.69*	0.50*	3*	1*	1*
SNL U.S. Bank NYSE MKT	840.58*	5/5/2017	(2.61)*	(0.31)*	3*	3*	0*
SNL U.S. Bank NASDAQ	898.37*	5/5/2017	(2.06)*	(0.23)*	93*	148*	28*
SNL U.S. Thrift NASDAQ	2,726.34*	5/5/2017	(6.51)*	(0.24)*	30*	39*	10*
SNL U.S. Bank Pink	388.52*	5/5/2017	0.01*	0.00*	64*	56*	360*
SNL U.S. Thrift Pink	312.44*	5/5/2017	(1.99)*	(0.63)*	9*	11*	54*
SNL Bank TSX	1,090.41*	5/5/2017	14.32*	1.33*	9*	2*	0*
SNL Other Indexes							
SNL U.S. Thrift MHCs	5,965.24*	5/5/2017	(16.68)*	(0.28)*	2*	6*	1*
SNL Pink Asset Size Indexes							
SNL U.S. Bank Pink < \$100M	209.26*	5/5/2017	2.37*	1.14*	1*	1*	22*
SNL U.S. Bank Pink \$100M-\$500M	462.17*	5/5/2017	0.53*	0.11*	35*	25*	217*
SNL U.S. Bank Pink > \$500M	339.45*	5/5/2017	(0.13)*	(0.04)*	28*	30*	121*
Broad Market Indexes							
DJIA	21,006.94*	5/5/2017	55.47*	0.26*			
S&P 500	2,399.29*	5/5/2017	9.76*	0.41*			
S&P Mid-Cap	1,738.52*	5/5/2017	14.34*	0.83*			
S&P Small-Cap	848.96*	5/5/2017	3.97*	0.47*			
S&P 500 Financials	395.46*	5/5/2017	(0.40)*	(0.10)*			
SNL U.S. Financial Institutions	866.61*	5/5/2017	(0.92)*	(0.11)*			
MSCI US IMI Financials	1,474.38*	5/4/2017	3.16*	0.21*			
NASDAQ	6,100.76*	5/5/2017	25.42*	0.42*			
NASDAQ FinI	4,055.31*	5/5/2017	1.55*	0.04*			
NYSE	11,615.59*	5/5/2017	80.88*	0.70*			
Russell 1000	1,324.05*	5/4/2017	0.19*	0.01*			
Russell 2000	1,388.85*	5/4/2017	(2.08)*	(0.15)*			
Russell 3000	1,415.54*	5/4/2017	0.03*	0.00*			
S&P TSX Composite	15,582.04*	5/5/2017	185.34*	1.20*			
MSCI AC World (USD)	457.05*	5/4/2017	0.43*	0.09*			
MSCI World (USD)	1,886.48*	5/4/2017	3.35*	0.18*			
Bermuda Royal Gazette/BSX	2,073.24*	5/4/2017	23.04*	1.12*			

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.

https://www.sn1.com/interactivex/indexes.aspx?GeographyGlobalRegion=4&Form_Name=UserInputs&Printable=1&Inde... 5/5/2017

** - 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.

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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

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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 (%)	ROAA (%)	ROAE (%)	NPAs/Assets (%)	Rsvs/NPLs (%)	Deal Value (\$M)	Value/Share (\$)	P/B (%)	P/TB (%)	P/E (x)	P/A (%)	Prem/Cdeps (%)	
03/15/2017	Def. Agrmt.	Kinderhook Bank Corp.	NY	Patriot Federal Bank	NY	141,246	8.73	8.61	0.37	4.09	0.55	231.02	14.6	9.945	118.10	119.86	28.65	10.30	2.61
03/07/2017	Def. Agrmt.	Sterling Bancorp	NY	Astoria Financial Corporation	NY	14,558,652	11.77	10.64	0.48	4.23	1.70	37.04	2,229.7	21.919	140.03	158.56	35.35	15.32	9.86
12/16/2016	Def. Agrmt.	Wallkill Valley FS&LA Community Bank System Inc.	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	Putnam County SB	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:						2,667,424	10.27	9.52	0.13	1.68	0.75	176.21			119.98	135.95	32.88	11.68	4.95
Median:						207,146	10.25	8.87	0.31	3.50	0.58	170.40			118.10	119.86	32.00	10.30	2.61

Source: SNL Financial, LC.

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 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 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 Intervest 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

Ponce De Leon Federal Bank Historical at March 31, 2017	Pro Forma at March 31, 2017, Based Upon the Sale in the Offering of (1)									
	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)
(Dollars in thousands)										
Equity	\$ 93,474	11.89%	\$111,696	13.76%	\$115,133	14.11%	\$118,571	14.45%	\$122,523	14.83%
Tier 1 leverage capital	\$ 99,803	13.08%	\$118,025	14.97%	\$121,462	15.32%	\$124,900	15.66%	\$128,852	16.05%
Tier 1 leverage capital requirement	38,153	5.00%	39,413	5.00%	39,647	5.00%	39,880	5.00%	40,148	5.00%
Excess	\$ 61,650	8.08%	\$ 78,612	9.97%	\$ 81,815	10.32%	\$ 85,020	10.66%	\$ 88,704	11.05%
Tier 1 risk-based capital(4)	\$ 99,803	16.91%	\$118,025	19.82%	\$121,462	20.37%	\$124,900	20.91%	\$128,852	21.54%
Tier 1 risk-based requirement	\$ 47,224	8.00%	47,627	8.00%	47,701	8.00%	47,776	8.00%	47,862	8.00%
Excess	\$ 52,579	8.91%	\$ 70,398	11.82%	\$ 73,761	12.37%	\$ 77,124	12.91%	\$ 80,990	13.54%
Total risk-based capital(4)	\$ 107,219	18.16%	\$125,441	21.07%	\$128,878	21.61%	\$132,316	22.16%	\$136,268	22.78%
Total risk-based requirement	\$ 59,029	10.00%	\$ 59,533	10.00%	\$ 59,627	10.00%	\$ 59,720	10.00%	\$ 59,828	10.00%
Excess	\$ 48,190	8.16%	\$ 65,908	11.07%	\$ 69,251	11.61%	\$ 72,596	12.16%	\$ 76,440	12.78%
Common equity tier 1 risk-based capital(4)	\$ 99,803	16.91%	\$118,025	19.82%	\$121,462	20.37%	\$124,900	20.91%	\$128,852	21.54%
Common equity tier 1 risk-based requirement	38,369	6.50%	38,697	6.50%	38,757	6.50%	38,818	6.50%	38,888	6.50%
Excess	\$ 61,434	10.41%	\$ 79,328	13.32%	\$ 82,705	13.87%	\$ 86,082	14.41%	\$ 89,964	15.04%
Reconciliation of capital infused into Ponce Bank:										
Net offering proceeds to Ponce Bank			\$ 25,400		\$ 30,068		\$ 34,737		\$ 40,106	
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			\$ 18,222		\$ 21,659		\$ 25,097		\$ 29,049	

- (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 May 5, 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	200.51 x	20.41x	19.64x	20.10x	18.00x	20.24x	18.96x
Price-core earnings ratio (x)	P/Core	200.51 x	20.02x	20.31x	17.24x	17.44x	20.83x	20.11x
Price-book ratio (%)	= P/B	67.07%	116.81%	121.33%	137.75%	123.67%	131.15%	126.65%
Price-tangible book ratio (%)	= P/TB	67.07%	125.10%	121.50%	157.37%	168.51%	145.09%	130.77%
Price-assets ratio (%)	= P/A	15.50%	14.11%	12.88%	10.27%	10.48%	15.96%	16.06%

Valuation Parameters

Pre-Conversion Earnings (Y)(2)	\$ 1,159,000	ESOP Stock Purchases (E)	8.00% (6)
Pre-Conversion Earnings (CY)(2)	\$ 1,159,000	Cost of ESOP Borrowings (S)	0.00% (5)
Pre-Conversion Book Value (B)(2)	\$ 91,835,000	ESOP Amortization (T)	15.00 years
Pre-Conv. Tang. Book Val. (TB)(2)	\$ 91,832,000	RRP Amount (M)	4.00%
Pre-Conversion Assets (A)(2)	\$784,614,000	RRP Vesting (N)	5.00 years (6)
Reinvestment Rate (3)(R)	1.93%	Foundation (F)	3.56%
Est. Conversion Expenses (4)(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% (7)
		Estimated Option Value (O2)	27.20% (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 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) Adjusted for \$1.6 million expense of funding termination of pension plan.
- (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 2.72 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	<u>3,915,980</u>
2. Offering Proceeds	\$ 114,750,000
Less: Estimated Offering Expenses	<u>2,868,750</u>
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)	<u>14,239,918</u>
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)	590,672
Less: Recognition Plan Vesting (5)	<u>626,556</u>
Net Earnings Impact	(\$ 393,725)

	Before Conversion	Net Earnings Increase	After Conversion
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,159,000	(\$ 393,725)	\$ 765,275
12 Months ended March 31, 2017 (core)	\$ 1,159,000	(\$ 393,725)	\$ 765,275

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,835,000	\$97,441,332	\$ 1,399,433	\$ 190,675,766
March 31, 2017 (Tangible)	\$ 91,832,000	\$97,441,332	\$ 1,399,433	\$ 190,672,766

	Before Conversion	Net Cash Proceeds	Tax Benefit Of Contribution	After Conversion
6. Pro Forma Assets				
March 31, 2017	\$784,614,000	\$97,441,332	\$ 1,399,433	\$ 883,454,766

- (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	1.27%
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)	694,908
Less: Recognition Plan Vesting (5)	<u>737,125</u>
Net Earnings Impact	(\$ 462,756)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,159,000	(\$ 462,756)	\$ 696,244
12 Months ended March 31, 2017 (core)	\$ 1,159,000	(\$ 462,756)	\$ 696,244

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,835,000	\$114,672,156	\$ 1,634,390	\$ 208,141,547
March 31, 2017 (Tangible)	\$ 91,832,000	\$114,672,156	\$ 1,634,390	\$ 208,138,547

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
March 31, 2017	\$784,614,000	\$114,672,156	\$ 1,634,390	\$ 900,920,547

- (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	<u>5,298,080</u>
2. Offering Proceeds	\$ 155,250,000
Less: Estimated Offering Expenses	<u>3,881,250</u>
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)	<u>19,265,770</u>
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)	799,144
Less: Recognition Plan Vesting (5)	<u>847,694</u>
Net Earnings Impact	(\$ 531,787)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,159,000	(\$ 531,787)	\$ 627,213
12 Months ended March 31, 2017 (core)	\$ 1,159,000	(\$ 531,787)	\$ 627,213

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,835,000	\$131,902,980	\$ 1,869,347	\$ 225,607,328
March 31, 2017 (Tangible)	\$ 91,832,000	\$131,902,980	\$ 1,869,347	\$ 225,604,328

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
March 31, 2017	\$784,614,000	\$131,902,980	\$ 1,869,347	\$ 918,386,328

- (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	<u>6,092,790</u>
2. Offering Proceeds	\$ 178,537,500
Less: Estimated Offering Expenses	<u>4,463,438</u>
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)	<u>22,155,635</u>
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)	919,016
Less: Recognition Plan Vesting (5)	<u>974,848</u>
Net Earnings Impact	(\$ 611,173)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,159,000	(\$ 611,173)	\$ 547,827
12 Months ended March 31, 2017 (core)	\$ 1,159,000	(\$ 611,173)	\$ 547,827

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,835,000	\$151,718,428	\$ 2,139,549	\$ 245,692,976
March 31, 2017 (Tangible)	\$ 91,832,000	\$151,718,428	\$ 2,139,549	\$ 245,689,976

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
March 31, 2017	\$784,614,000	\$151,718,428	\$ 2,139,549	\$ 938,471,976

- (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
May 5, 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	162.59 x	20.41x	19.64x	20.10x	18.00x	20.24x	18.96x
Price-core earnings ratio (x)	P/Core	162.59 x	20.02x	20.31x	17.24x	17.44x	20.83x	20.11x
Price-book ratio (%)	= P/B	96.34%	116.81%	121.33%	137.75%	123.67%	131.15%	126.65%
Price-tangible book ratio (%)	= P/TB	96.34%	125.10%	121.50%	157.37%	168.51%	145.09%	130.77%
Price-assets ratio (%)	= P/A	16.66%	14.11%	12.88%	10.27%	10.48%	15.96%	16.06%

Valuation Parameters

Pre-Conversion Earnings (Y)(2)	\$ 1,156,000	ESOP Stock Purchases (E)	8.12% (6)
Pre-Conversion Earnings (CY)(2)	\$ 1,156,000	Cost of ESOP Borrowings (S)	0.00% (5)
Pre-Conversion Book Value (B)(2)	\$ 91,635,000	ESOP Amortization (T)	15.00 years
Pre-Conv. Tang. Book Value (TB)(2)	\$ 91,632,000	MRP Amount (M)	4.06%
Pre-Conversion Assets (A)(2)	\$784,414,000	MRP Vesting (N)	5.00 years (6)
Reinvestment Rate (3)(R)	1.93%	Foundation (F)	7.33%
Est. Conversion Expenses (4)(X)	4.28%	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)	28.30% (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 Owned by The MHC	Shares Issued To the Public	Price Per Share	Gross Offering Proceeds	Shares Issued to Foundation	Total Shares Issued Publicly	Aggregate Market Value of Shares Issued Publicly	Full Value Total Shares
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 and \$1.6 million expense of funding termination of pension plan.
- (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 28.30 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>2,600,713</u>
Net Conversion Proceeds	\$ 50,798,977
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 50,798,977
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>6,977,566</u>
Net Proceeds Reinvested	\$ 43,621,411
Estimated net incremental rate of return	1.27%
Reinvestment Income	\$ 555,650
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	204,675
Less: Amortization of Options (4)	301,134
Less: Recognition Plan Vesting (5)	<u>307,013</u>
Net Earnings Impact	(\$ 257,173)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,156,000	(\$ 257,173)	\$ 898,827
12 Months ended March 31, 2017 (core)	\$ 1,156,000	(\$ 257,173)	\$ 898,827

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,635,000	\$43,621,411	\$ 1,399,433	\$ 136,655,844
March 31, 2017 (Tangible)	\$ 91,632,000	\$43,621,411	\$ 1,399,433	\$ 136,652,844

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
March 31, 2017	\$784,414,000	\$43,621,411	\$ 1,399,433	\$ 829,434,844

- (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>2,686,739</u>
Net Conversion Proceeds	\$ 60,136,421
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 60,136,421
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>8,208,900</u>
Net Proceeds Reinvested	\$ 51,727,521
Estimated net incremental rate of return	1.27%
Reinvestment Income	\$ 658,905
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	240,794
Less: Amortization of Options (4)	354,275
Less: Recognition Plan Vesting (5)	<u>361,192</u>
Net Earnings Impact	(\$ 297,356)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,156,000	(\$ 297,356)	\$ 858,644
12 Months ended March 31, 2017 (core)	\$ 1,156,000	(\$ 297,356)	\$ 858,644

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,635,000	\$51,727,521	\$ 1,634,390	\$ 144,996,911
March 31, 2017 (Tangible)	\$ 91,632,000	\$51,727,521	\$ 1,634,390	\$ 144,993,911

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
March 31, 2017	\$784,414,000	\$51,727,521	\$ 1,634,390	\$ 837,775,911

- (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>2,772,764</u>
Net Conversion Proceeds	\$ 69,473,866
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 69,473,866
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>9,440,234</u>
Net Proceeds Reinvested	\$ 59,833,632
Estimated net incremental rate of return	1.27%
Reinvestment Income	\$ 762,161
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	276,914
Less: Amortization of Options (4)	407,417
Less: Recognition Plan Vesting (5)	<u>415,370</u>
Net Earnings Impact	(\$ 337,540)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,156,000	(\$ 337,540)	\$ 818,460
12 Months ended March 31, 2017 (core)	\$ 1,156,000	(\$ 337,540)	\$ 818,460

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,635,000	\$59,833,632	\$ 1,869,347	\$ 153,337,979
March 31, 2017 (Tangible)	\$ 91,632,000	\$59,833,632	\$ 1,869,347	\$ 153,334,979

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
March 31, 2017	\$784,414,000	\$59,833,632	\$ 1,869,347	\$ 846,116,979

- (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>2,871,694</u>
Net Conversion Proceeds	\$ 80,211,926
3. Estimated Additional Income from Conversion Proceeds	
Net Conversion Proceeds	\$ 80,211,926
Less: Cash Contribution to Foundation	200,000
Less: Non-Cash Stock Purchases (1)	<u>10,856,268</u>
Net Proceeds Reinvested	\$ 69,155,658
Estimated net incremental rate of return	1.27%
Reinvestment Income	\$ 880,905
Less: Estimated cost of ESOP borrowings (2)	0
Less: Amortization of ESOP borrowings (3)	318,451
Less: Amortization of Options (4)	468,529
Less: Recognition Plan Vesting (5)	<u>477,676</u>
Net Earnings Impact	(\$ 383,751)

	<u>Before Conversion</u>	<u>Net Earnings Increase</u>	<u>After Conversion</u>
4. Pro Forma Earnings			
12 Months ended March 31, 2017 (reported)	\$ 1,156,000	(\$ 383,751)	\$ 772,249
12 Months ended March 31, 2017 (core)	\$ 1,156,000	(\$ 383,751)	\$ 772,249

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
5. Pro Forma Net Worth				
March 31, 2017	\$ 91,635,000	\$69,155,658	\$ 2,139,549	\$ 162,930,206
March 31, 2017 (Tangible)	\$ 91,632,000	\$69,155,658	\$ 2,139,549	\$ 162,927,206

	<u>Before Conversion</u>	<u>Net Cash Proceeds</u>	<u>Tax Benefit Of Contribution</u>	<u>After Conversion</u>
6. Pro Forma Assets				
March 31, 2017	\$784,414,000	\$69,155,658	\$ 2,139,549	\$ 855,709,206

- (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, LC.
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.

KEY PERSONNEL (Years of Relevant Experience & Contact Information)

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Dear Member:

I am writing to tell you of an investment opportunity, and just as importantly, to request your vote on important matters.

Pursuant to a Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan (the "Plan"), Ponce De Leon Federal Bank will reorganize from a mutual bank (meaning no stockholders) to the mutual holding company form of ownership. As a part of the reorganization, PDL Community Bancorp, a to-be-formed mid-tier stock holding company for the Bank, is conducting a minority offering of shares of its common stock. Also, in furtherance of our commitment to our local communities, a new charitable foundation, the Ponce De Leon Foundation, will be established in connection with the reorganization.

As a member of Ponce De Leon Federal Bank, you have the right to vote on approval of the Plan and establishment of the charitable foundation, and you have a priority right to subscribe for shares of PDL Community Bancorp common stock before the stock is offered to the local community and the general public. Enclosed are a prospectus, a stock order form, a proxy statement, and other materials further describing the Plan, the reorganization, the charitable foundation, and the offering.

THE PROXY VOTE – Approval of the Plan and establishment of the charitable foundation require the approval of our members. **Your Board of Directors urges you to vote "FOR" approval of the Plan and "FOR" the establishment of the charitable foundation.**

Please note that the reorganization will not result in changes to account numbers, interest rates or other terms of your accounts with Ponce De Leon Federal Bank. Deposit accounts will not be converted to stock, and your deposit accounts will continue to be insured by the FDIC up to the maximum legal limits. In addition, voting for approval of the Plan and establishment of the charitable foundation does not obligate you to purchase shares of our common stock.

You may have received more than one proxy card, depending on the number and ownership structure of your accounts. Please vote each proxy card you received. **Not voting the enclosed proxy card(s) will have the same effect as voting against the Plan and the charitable foundation. You may cast your votes immediately by telephone or internet**, by following the simple instructions on your proxy card. **Alternatively, to vote by mail**, please sign each proxy card and mail the card(s) in the proxy reply envelope provided.

THE STOCK OFFERING - As a member of Ponce De Leon Federal Bank, you have a priority right, but no obligation, to buy shares of PDL Community Bancorp common stock during our subscription offering before the shares are made available for sale to the local community and the general public. The common stock is being offered at \$10.00 per share, and there will be no sales commission charged to purchasers during the offering. **Please read the enclosed prospectus carefully before making any investment decision.**

If you are interested in purchasing shares of PDL Community Bancorp common stock, please complete the enclosed stock order form and return it with full payment. **You may submit your order by overnight delivery** to the address indicated for that purpose on the top of the order form, or **you may hand-deliver your order** to Ponce De Leon Federal Bank's administrative office at 2244 Westchester Avenue, Bronx, New York. You may also submit your order by mail using the reply envelope provided. However, please know that **all stock order forms, with full payment, must be received (not postmarked) by 12:00 p.m., Eastern Time, on [_____, 2017].** If you are considering purchasing common stock with funds you have in an IRA or other retirement account, please call our Stock Information Center *promptly* for guidance, as these orders require additional processing time.

I invite you to consider this opportunity to share in our future and, together with our Board of Directors, I thank you for your continued support as a Ponce De Leon Federal Bank customer.

Sincerely,

Steven A. Tsavaris
Chairman of the Board and Chief Executive Officer

Questions? - Please call our Stock Information Center, toll-free, at [SIC PHONE].
Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.

This letter is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being sold are not savings accounts or deposits, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.



Dear Member:

I am writing to request your vote on important matters.

Pursuant to a Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan (the "Plan"), Ponce De Leon Federal Bank will reorganize from a mutual bank (meaning no stockholders) to the mutual holding company form of ownership. As a part of the reorganization, PDL Community Bancorp, a to-be-formed mid-tier stock holding company for the Bank, is conducting a minority offering of shares of its common stock. Also, in furtherance of our commitment to our local communities, a new charitable foundation, the Ponce De Leon Foundation, will be established in connection with the reorganization.

As a member of Ponce De Leon Federal Bank, you have the right to vote on approval of the Plan and establishment of the charitable foundation. Enclosed are a prospectus, a proxy statement, and other materials further describing the Plan, the reorganization, the charitable foundation, and the offering.

Approval of the Plan and establishment of the charitable foundation require the approval of our members. **Your Board of Directors urges you to vote "FOR" approval of the Plan and "FOR" the establishment of the charitable foundation.**

Please note that the reorganization will not result in changes to account numbers, interest rates or other terms of your accounts with Ponce De Leon Federal Bank. Deposit accounts will not be converted to stock, and your deposit accounts will continue to be insured by the FDIC up to the maximum legal limits.

You may have received more than one proxy card, depending on the number and ownership structure of your accounts. Please vote each proxy card you received. **Not voting the enclosed proxy card(s) will have the same effect as voting against the Plan and the charitable foundation. You may cast your votes immediately by telephone or internet**, by following the simple instructions on your proxy card. **Alternatively, to vote by mail**, please sign each proxy card and mail the card(s) in the proxy reply envelope provided.

Unfortunately, although we are requesting that you vote on approval of the Plan and establishment of the charitable foundation, we regret that PDL Community Bancorp is unable to offer its common stock to you, because we are unable to offer the stock for sale to persons residing in foreign countries.

If you have any questions about the Plan of Reorganization or voting, please refer to the enclosed materials or call our Information Center.

Thank you for your continued support as a customer of Ponce De Leon Federal Bank.

Sincerely,

Steven A. Tsavaris
Chairman of the Board and Chief Executive Officer

Questions? - Please call our Information Center, toll-free, at [SIC PHONE].
Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.

This letter is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being sold are not savings accounts or deposits, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.



Dear Friend:

I am writing to tell you of an investment opportunity.

Pursuant to a Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan (the "Plan"), Ponce De Leon Federal Bank will reorganize from a mutual bank (meaning no stockholders) to the mutual holding company form of ownership. As a part of the reorganization, PDL Community Bancorp, a to-be-formed mid-tier stock holding company for the Bank, is conducting a minority offering of shares of its common stock. Also, in furtherance of our commitment to our local communities, a new charitable foundation, the Ponce De Leon Foundation, will be established in connection with the reorganization. Enclosed are a prospectus, a stock order form, and other materials further describing the Plan, the reorganization, the charitable foundation, and the offering.

Our records indicate that you were a depositor of Ponce De Leon Federal Bank as of the close of business on October 31, 2015 or [March 31, 2017], whose account(s) was subsequently closed. As such, you have a priority right, but no obligation, to buy shares of PDL Community Bancorp common stock during our subscription offering, before the shares are made available for sale to the local community and the general public.

The common stock is being offered at \$10.00 per share, and there will be no sales commission charged to purchasers during the offering. **Please read the enclosed prospectus carefully before making any investment decision.**

If you are interested in purchasing shares of PDL Community Bancorp common stock, please complete the enclosed stock order form and return it with full payment. You may submit your order by overnight delivery to the address indicated for that purpose on the top of the order form, or you may hand-deliver your order to Ponce De Leon Federal Bank's administrative office at 2244 Westchester Avenue, Bronx, New York. You may also submit your order by mail using the reply envelope provided. However, please know that **all stock order forms, with full payment, must be received (not postmarked) by 12:00 p.m., Eastern Time, on [_____, 2017].** If you are considering purchasing common stock with funds you have in an IRA or other retirement account, please call our Stock Information Center *promptly* for guidance, as these orders require additional processing time.

I invite you to consider this opportunity to share in our future and, together with our Board of Directors, I thank you for your past support as a Ponce De Leon Federal Bank customer.

Sincerely,

Steven A. Tsavaris
Chairman of the Board and Chief Executive Officer

Questions? - Please call our Stock Information Center, toll-free, at [SIC PHONE].
Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.

This letter is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being sold are not savings accounts or deposits, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.



PDL Community Bancorp™

Dear Prospective Investor:

I am writing to tell you of an investment opportunity.

Pursuant to a Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan (the "Plan"), Ponce De Leon Federal Bank will reorganize from a mutual bank (meaning no stockholders) to the mutual holding company form of ownership. As a part of the reorganization, PDL Community Bancorp, a to-be-formed mid-tier stock holding company for the Bank, is conducting a minority offering of shares of its common stock. Also, in furtherance of our commitment to our local communities, a new charitable foundation, the Ponce De Leon Foundation, will be established in connection with the reorganization.

We believe you may have an interest in investing in PDL Community Bancorp common stock. Enclosed are a prospectus, a stock order form, and other materials further describing the Plan, the reorganization, the charitable foundation, and the offering.

The common stock is being offered at \$10.00 per share, and there will be no sales commission charged to purchasers during the offering. **Please read the enclosed prospectus carefully before making any investment decision.**

If you are interested in purchasing shares of PDL Community Bancorp common stock, you must complete and return the enclosed stock order form and return it with full payment. You may submit your order by overnight delivery to the address indicated for that purpose on the top of the order form, or you may hand-deliver your order to Ponce De Leon Federal Bank's administrative office at 2244 Westchester Avenue, Bronx, New York. You may also submit your order by mail using the reply envelope provided. However, please know that **all stock order forms, with full payment, must be received (not postmarked) by 12:00 p.m., Eastern Time, on [] , 2017.** If you are considering purchasing common stock with funds you have in an IRA or other retirement account, please call our Stock Information Center *promptly* for guidance, as these orders require additional processing time.

I invite you to consider this opportunity to share in our future.

Sincerely,

Carlos P. Naudon
President and Chief Executive Officer

Questions? - Please call our Stock Information Center, toll-free, at [SIC PHONE].
Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.

This letter is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being sold are not savings accounts or deposits, and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.



To Customers and Friends of Ponce De Leon Federal Bank

Raymond James & Associates, Inc., a member of the Financial Industry Regulatory Authority, has been hired by Ponce De Leon Federal Bank to assist it in reorganizing from a mutual savings bank to the mutual holding company form of ownership. As a part of the reorganization, PDL Community Bancorp, a to-be-formed mid-tier stock holding company for the Bank, is conducting a minority offering of shares of its common stock. Raymond James & Associates, Inc. is not affiliated with Ponce De Leon Federal Bank or PDL Community Bancorp.

At the request of PDL Community Bancorp, we are enclosing materials explaining the reorganization and common stock offering. Please read the enclosed Prospectus carefully for a complete description of the stock offering, including the section titled "Risk Factors." PDL Community Bancorp has asked us to forward the Prospectus and accompanying documents to you in view of certain requirements of the securities laws in your state.

If you have questions regarding the reorganization and the stock offering, please call the Stock Information Center, toll free, at [SIC PHONE], Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.

Sincerely,

Raymond James & Associates, Inc.

This is letter not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being offered are not savings accounts or deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

READ THIS FIRST

Office of the Comptroller of the Currency Guidance for Account Holders

Your financial institution is in the process of selling stock to the public in a mutual bank to mutual holding company reorganization transaction. As an account holder at this institution, you have certain priority subscription rights to purchase stock in the offering. These priority subscription rights are non-transferable. If you subscribe for stock, you will be asked to sign a statement that the purchase is for your own account, and that you have no agreement or understanding regarding the subsequent sale or transfer of any shares you receive.

On occasion, unscrupulous people attempt to persuade account holders to transfer subscription rights, or to purchase shares in the offering based on the understanding that the shares will subsequently be transferred to others. Such arrangements violate federal regulations. If you participate in these schemes, you are breaking the law and may be subject to prosecution. If someone attempts to persuade you to participate in such a scheme, please contact the Office of the Comptroller of the Currency (OCC) Customer Assistance Group, toll-free, at 1 (800) 613-6743, or at www.helpwithmybank.gov. The OCC is very interested in ensuring that the prohibitions on transfer of subscription rights are not violated.

How will you know if you are being approached illegally? Typically, a fraudulent opportunist will approach you and offer to “loan” you money to purchase a significant amount of stock in the offering. In exchange for that “loan” you most likely will be asked either to transfer control of any stock purchased with that money to an account the other person controls, or sell the stock and give the majority of the profits to the other person. You may be told, untruthfully, that there is no risk to you, that the practice is common, and even if you are caught, that your legal expenses will be covered.

On the back of this page is a list of some key concepts that you should keep in mind when considering whether to participate in this stock offering. If you have questions, please contact the Stock Information Center at the telephone number listed elsewhere in the literature you are receiving. Alternatively, you can contact the OCC at: The Northeastern District Office located at 340 Madison Avenue, Fourth Floor, New York, NY 10173.

What Investors Need to Know

Key concepts for investors to bear in mind when considering whether to participate in a reorganization offering include the following:

- **Know the Rules** — By law, account holders cannot sell or transfer their priority subscription rights, or the stock itself, prior to the completion of a financial institution's reorganization. Moreover, account holders cannot enter into agreements or arrangements to sell or transfer either their subscription rights or the underlying reorganization stock.
- **"Neither a Borrower nor a Lender Be"** — If someone offers to lend you money so that you can participate — or participate more fully — in a reorganization, be extremely wary. Be even more wary if the source of the money is someone you do not know. The loan agreement may make you unable to certify truthfully that you are the true holder of the subscription rights and the true purchaser of the stock and that you have no agreements regarding the sale or transfer of the stock.
- **Watch Out for Opportunists** — The opportunist may tell you that he or she is a lawyer — or a consultant or a professional investor or some similarly impressive tale — who has experience with similar reorganization transactions. The opportunist may go to extreme lengths to assure you that the arrangement you are entering into is legitimate. They might tell you that they have done scores of these transactions and that this is simply how they work. Or they might downplay the warnings or restrictions in the prospectus or stock order form, telling you that "everyone" enters into such agreements or that the deal they are offering is legitimate. They may also tell you that you have no risk in the transaction. The cold, hard truth is that these are lies, and if you participate, you are breaking the law.
- **Get the Facts from the Source** — If you have any questions about the securities offering, ask your financial institution for more information. If you have any doubts about a transaction proposed to you by someone else, ask the financial institution whether the proposed arrangement is proper. You may be able to find helpful resources by visiting your financial institution.

The bottom line for investors is always to remember that if an opportunity sounds too good to be true, it probably is too good to be true.



PDL Community Bancorp™

SUBSCRIPTION AND COMMUNITY OFFERING STOCK ORDER ACKNOWLEDGEMENT LETTER

Date

Name1
Name2
Address1
Address2
City, State Zip

STOCK ORDER ACKNOWLEDGEMENT

This letter confirms receipt of your order to purchase shares of PDL Community Bancorp common stock. Please review the following information carefully to verify that we have accurately recorded your order information. If any information does not agree with your records, please call our Stock Information Center, toll-free, at [SIC PHONE], Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time. Please refer to your Batch# and Order# listed below when contacting our Stock Information Center.

Stock Registration:

Name1
Name2
Address1
Address2
City, State Zip

Other Order Information:

Batch #:
Order #:
Number of Shares Requested:
Offering Priority: (subject to verification)
Ownership Type:
Tax Id#:

This letter acknowledges only that your order and payment have been received. It does not guarantee that your order will be filled, either completely or partially. Purchase limitations and share allocation procedures in the event of an oversubscription are described in the prospectus dated [EFFECTIVE DATE], in the section entitled “The Reorganization and Offering—Offering of Common Stock” under the sub-headings, “Subscription Offering”, “Subscription Rights”, “Community Offering” and “Limitations on Purchase of Shares.”

The offering is scheduled to end at 12:00 noon, Eastern Time, on [END DATE]. It may take several weeks before stock ownership statements can be mailed and the newly issued shares begin trading. Your patience is appreciated.

Thank you for your order,

PDL Community Bancorp

Description of Offering Priorities

SUBSCRIPTION OFFERING:

1. Depositors of Ponce De Leon Federal Bank with aggregate deposit account balances of \$50 or more at the close of business on October 31, 2015;
2. Ponce De Leon Federal Bank tax qualified employee plans;
3. Depositors of Ponce De Leon Federal Bank with aggregate deposit account balances of \$50 or more at the close of business on [SUPPLEMENTAL DATE];
4. Members of Ponce De Leon Federal Bank at the close of business on [VOTING DATE];

COMMUNITY OFFERING:

5. Residents of the New York Counties of Bronx, New York, Queens and King and the New Jersey County of Hudson; and
6. Members of the general public.



PDL Community Bancorp™

STOCK OWNERSHIP STATEMENT MAILING LETTER

Dear Stockholder:

I am pleased to welcome you as a stockholder of PDL Community Bancorp. Thank you for your investment and your confidence in our organization.

Your stock ownership statement is enclosed. Please review the statement carefully to make sure the registration name and address are correct. If you find an error or have questions about your stock registration, please contact American Stock Transfer & Trust Company LLC, ("AST"), our transfer agent.

If you submitted a check or money order in full or partial payment for your stock order, you have received, or soon will receive, a check. It reflects interest earned at [%] per annum, calculated from the date your order was processed through [CLOSING DATE].

If your stock order was paid in full or in part by authorizing a withdrawal from a Ponce De Leon Federal Bank deposit account, the withdrawal was made on [CLOSING DATE]. Until then, interest was earned at your contract rate, and the interest remains in your account.

ONLINE ACCOUNT ACCESS:

Accessing the AST Web site is designed to be simple and secure. In order to access your PDL Community Bancorp stockholder account online, please follow these steps:

Step 1: Go to <http://www.astfinancial.com>

Step 2: Click on **Client Login** located at the top right hand corner of the page.

Step 3: Click on **Shareholders & Investors** in the drop down menu.

Step 4: Click on **Manage My Accounts** then **U.S. Shareholders & Investors** then **Manage My Shareholder Account**.

Step 5: Click on **Register** on the left hand side of the screen and complete the short registration process to create your unique login ID.

* *Please note the following classifications of ownership do not have online access to account information: Individual IRAs, Corporate Entities, Non-Resident U.S. Citizens, Resident Aliens, and U.S. Citizens Living Abroad.*

If you need assistance, click the **Contact Us** link. A live customer service representative may be reached via the **AST Web Chat** button.

TELEPHONE AND E-MAIL ASSISTANCE:

You may reach an AST representative by dialing (800) 937-5449 and selecting Option 1 or by dialing (718) 921-8124. You may also e-mail AST at help@astfinancial.com.

Customer service representatives are available 8 a.m. to 8 p.m. Eastern Time, Monday through Friday.

FOR MAIL INQUIRIES:

To contact AST via postal mail:

PDL Community Bancorp
c/o American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

PDL Community Bancorp common stock is quoted on the Nasdaq Global Market under the symbol "PDLB." Should you wish to buy or sell PDL Community Bancorp stock in the future, please contact a brokerage firm or other firm offering investment services.

Thank you for sharing in our company's future.

Sincerely,

Carlos P. Naudon
President and Chief Executive Officer

IMPORTANT NOTICE

**THIS PACKAGE INCLUDES
PROXY CARD(S)
REQUIRING YOUR PROMPT ATTENTION.**

**IF MORE THAN ONE PROXY
CARD IS ENCLOSED,
PLEASE VOTE EACH CARD.
THERE ARE NO DUPLICATE CARDS!**

THANK YOU!

(sized for statement/half page, 8.5" x 5.5", will print on colored stock)



PLEASE VOTE THE ENCLOSED PROXY CARD TODAY.

If you haven't yet voted the proxy card(s) we recently mailed to you in a large white package, please vote the enclosed replacement proxy card today. Please disregard this notice if you have already voted. If you received more than one of these reminders, please vote each proxy card received. Not voting will have the same effect as voting "Against" the Plan of Reorganization and "Against" establishment of the charitable foundation.

Your Board of Directors urges you to vote "FOR" approval of the Plan of Reorganization and "FOR" establishment of the charitable foundation.

Please note:

- Implementation of the Plan of Reorganization will not have any effect on your deposit accounts or loans at Ponce De Leon Federal Bank.
- Your deposit accounts will not be converted to common stock.
- Voting will not require you to purchase common stock during the offering.

Please vote your proxy card by internet or telephone today, or sign and mail it in the envelope provided.

THANK YOU FOR YOUR SUPPORT!

(Sized for statement/half page, 8.5" x 5.5", will print on colored stock)

Questions? - Call our Information Center, toll-free, at () - .
Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.



HAVE YOU VOTED YET? TIME IS RUNNING OUT.

The Special Meeting of Members of Ponce De Leon Federal Bank is on [], 2017]. Your proxy vote is requested before that date. Our records indicate that you have not yet voted the proxy card(s) we mailed to you.

IF YOU ARE UNSURE WHETHER YOU VOTED, PLEASE VOTE THE ENCLOSED REPLACEMENT PROXY CARD. YOUR VOTES WILL NOT BE COUNTED TWICE.

Your Board of Directors urges you to vote “FOR” the Plan of Reorganization and “FOR” establishment of the charitable foundation.

Please note:

- Implementation of the Plan of Reorganization will not have any effect on your deposit accounts or loans at Ponce De Leon Federal Bank.
- Your deposit accounts will not be converted to common stock.
- Voting will not require you to purchase common stock during the offering.

THANK YOU FOR YOUR SUPPORT!

(Sized for statement/half page, 8.5” x 5.5”, will print on colored stock)

Questions? - Call our Information Center, toll-free, at () - .
Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.



PDL Community Bancorp™

Q&A

Questions and Answers
About our Reorganization and Stock Offering

This pamphlet answers questions about our reorganization and the related common stock offering. Investing in shares of common stock involves certain risks. Before making an investment decision, please read the enclosed Prospectus carefully, including the section entitled "Risk Factors."

THE REORGANIZATION

What is the reorganization?

Under our Plan of Reorganization from a Mutual Bank to a Mutual Holding Company and Stock Issuance Plan (the "Plan"), Ponce De Leon Federal Bank (the "Bank") will reorganize from a mutual bank (meaning no stockholders) to the mutual holding company form of ownership. Concurrently with the reorganization, PDL Community Bancorp, a to-be-formed mid-tier stock holding company, is offering for sale shares of its common stock. Upon completion of the reorganization, the common stock of PDL Community Bancorp will be 45% owned by stockholders who purchase shares in the offering, 3.3% will be contributed to a new charitable foundation, Ponce De Leon Foundation (the "Foundation"), which is being established in connection with the reorganization, and 51.7% will be owned by Ponce Bank Mutual Holding Company, our federally chartered mutual holding company. See "Summary – Our Reorganization into a Mutual Holding Company and the Offering" in the enclosed prospectus for additional details and a diagram of our corporate structure following the reorganization and offering.

What are the reasons for the reorganization and offering?

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 reorganization also will enable members, employees, management and directors to have an equity ownership interest in our company. The reorganization will permit us to issue and sell capital stock, which is a source of capital not available to mutual savings banks. In addition, the contribution to the Foundation will not only complement our existing charitable activities but also enable the communities that we serve to share in our long-term growth. See “The Reorganization and Offering—Reasons for the Reorganization” in the enclosed prospectus for additional discussion of the reasons for the reorganization and offering.

What is the Ponce De Leon Foundation and why is it being established?

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 initially be funded with \$200,000 in cash and 3.3% of our total outstanding shares of common stock. The purpose of the Foundation is to provide financial support to appropriate organizations in our communities and to enable our communities to share in our long-term growth. See “Our Charitable Foundation” in the enclosed prospectus for additional discussion of the charitable foundation.

Will the Ponce De Leon Foundation be established and funded if the reorganization is not approved and completed?

No. The charitable foundation will be established only if both the Plan and the Foundation are approved. However, if the Foundation is not approved and we receive all other necessary reorganization approvals, we may complete the reorganization without the Foundation.

Will members notice any change in the Bank’s day-to-day activities as a result of the reorganization and the offering?

No. It will be business as usual. The reorganization is a change in our corporate structure. There are no planned changes in our staffing or office locations as a result of the reorganization. Customers will continue to conduct business with the Bank as they have in the past.

Will the reorganization and offering affect members’ deposit accounts or loans with the Bank?

No. The reorganization and offering will not affect the balance or terms of deposits or loans, and deposits will continue to be federally insured by the Federal Deposit Insurance Corporation, up to the maximum legal limit. **Deposit accounts will not be converted to stock.**

THE PROXY VOTE

Why should I vote on the Plan and the establishment and funding of the Foundation?

Your votes “For” the Plan and “For” establishment and funding of the Foundation are very important to us. Our Board of Directors has determined that the reorganization is in the best interests of the Bank, our members and the communities we serve, for the reasons described above. In addition, the reorganization and the offering present us with a unique opportunity to provide a substantial and continuing benefit to the communities we serve, through the establishment and funding of the Foundation. **The Plan cannot be implemented, and the Foundation cannot be established and funded, without receipt of member approval.**

What happens if I don’t vote?

Not voting will have the same effect as voting “Against” the Plan and the establishment and funding of the Foundation. Approval requires the affirmative vote of the majority of all votes eligible to be cast. For this reason, failure to vote all of the proxy cards you receive will have the same effect as voting “Against” the Plan and the Foundation. Without sufficient favorable votes, we cannot proceed with the reorganization and the offering.

How do I vote?

You can vote by internet or telephone, or by mailing your signed proxy card(s) in the postage-paid envelope marked “PROXY RETURN”. Detailed voting instructions are included with your proxy card(s). However you choose to cast your vote, **PLEASE VOTE PROMPTLY.**

How many votes are available to me?

Depositors at the close of business on [VOTING DATE] are entitled to one vote for each \$100 or fraction thereof on deposit. Borrowers as of April 11, 1985 who maintained such borrowings as of [VOTING DATE] are entitled to one vote in addition to any votes they may be entitled to as depositors. However, no member may cast more than 1,000 votes. Your proxy cards are not imprinted with your number of votes; however, votes will be automatically tallied by computer.

Why did I receive more than one proxy card?

If you had more than one deposit or loan account as of [VOTING DATE], you may have received more than one proxy card, depending on the ownership structure of your accounts. **These are not duplicate proxy cards. Please promptly vote each proxy card you receive.** Your vote will not be counted twice.

More than one name appears on my proxy card. Who must sign?

The names reflect the title of your accounts with the Bank. Proxy cards for joint accounts require the signature of only one of the accountholders. Proxy cards for trust or custodian accounts must be signed by the trustee or the custodian, not the listed beneficiary.

THE STOCK OFFERING AND PURCHASING SHARES**How many shares are being offered and at what price?**

PDL Community Bancorp is offering for sale between 5,339,969 and 7,224,663 shares of common stock (subject to increase to 8,308,362 shares) at \$10.00 per share. A minimum of 5,339,969 shares must be sold in order for us to complete the reorganization and stock offering. Investors will not be charged a commission to purchase shares of common stock in the offering.

Who is eligible to purchase stock during the offering?

Pursuant to the Plan, non-transferable rights to subscribe for shares of PDL Community Bancorp common stock in the **Subscription Offering** have been granted to eligible members and benefit plans of the Bank.

Subscription Offering purchase priorities are as follows:

Priority 1 - Depositors of the Bank with aggregate deposit account balances of \$50 or more at the close of business on October 31, 2015;

Priority 2 - Our tax-qualified employee plans;

Priority 3 - Depositors of the Bank with aggregate deposit account balances of \$50 or more at the close of business on [SUPPLEMENTAL DATE]; and

Priority 4 - Depositors of the Bank at the close of business on [VOTING DATE] and borrowers of the Bank as of April 11, 1985 who maintained such borrowings as of the close of business on [VOTING DATE], who are not eligible in priorities 1 or 3, above.

Shares of common stock not purchased in the Subscription Offering may be offered for sale to the general public in a **Community Offering**, with a preference given first to 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.

Shares not sold in the Subscription and Community Offerings may be offered for sale through a **Syndicated Community Offering** to the general public.

I am eligible to subscribe for shares of common stock in the subscription offering but I am not interested in investing. May I allow someone else to use my stock order form to take advantage of my priority as a member of the Bank?

No. Subscription rights are non-transferable! Federal regulations prohibit you from 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 common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights or the shares to others. On occasion, unscrupulous people attempt to persuade accountholders to transfer subscription rights, or to purchase shares in the offering based on an understanding that the shares will be subsequently transferred to others. Participation in such schemes is against the law and may subject involved parties to prosecution. If you become aware of any such activities, please notify our Stock Information Center promptly so that we can take the necessary steps to protect our eligible members' subscription rights in the offering.

How may I buy shares during the subscription and community offerings?

Shares can be purchased by delivering a signed and completed original Stock Order Form, together with full payment payable to PDL Community Bancorp or authorization to withdraw funds from one or more of your deposit accounts with the Bank. You may submit your order by overnight delivery to the address indicated for that purpose on the top of the order form, or you may hand-deliver your order to Ponce De Leon Federal Bank's administrative office at 2244 Westchester Avenue, Bronx, New York. You may also submit your order by mail using the reply envelope provided. However, please know that all orders, with full payment, must be received (not postmarked) by the order deadline. **We encourage subscribers to consider in-person or overnight delivery to enhance the likelihood that your order is received before the deadline.**

What is the deadline for purchasing shares?

The deadline for purchasing shares of common stock in the subscription and community offerings is 12:00 p.m., Eastern Time, on [END DATE], unless we extend this deadline. If you wish to purchase shares of common stock, a properly completed and signed original Stock Order Form, together with full payment, must be received (not postmarked) by this time.

How may I pay for the shares?

Payment for shares can be remitted in two ways: 1.) Personal check, bank check or money order made payable to PDL Community Bancorp; or 2.) Authorizing us to withdraw available funds from the types of deposit accounts designated on the Stock Order Form. There is no penalty for early withdrawal from a certificate of deposit for the purpose of purchasing shares in the offering.

The Bank is not permitted to lend funds to anyone for the purpose of purchasing shares of common stock in the offering. Additionally, you may not use a Ponce De Leon Federal Bank line of credit check or any type of third party check to pay for shares of common stock. Please do not submit cash or wire transfers. **You may not designate withdrawal from accounts with the Bank with check-writing privileges; instead, please submit a check.** If you request that we directly withdraw 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 retirement account. See information on IRAs below.

Will I earn interest on my funds?

Yes. If you pay by personal check, bank check or money order, you will earn interest at [%] per annum from the day we process your payment until the completion or termination of the offering. At that time, you will be issued a check for interest earned on these funds. If you pay for shares by authorizing a withdrawal from your deposit account(s) with the Bank, your funds will continue earning interest within the account at the contract rate. The interest will remain in your account(s) when the designated withdrawal is made, upon completion or termination of the reorganization and offering. No penalty will be charged for early withdrawal from a Certificate of Deposit with the Bank for the purpose of paying for shares in the offering.

Are there limits to how many shares I can order?

Yes. The minimum order is 25 shares (\$250). No individual, or individuals exercising subscription rights through a single qualifying deposit or loan account held jointly, may purchase more than 30,000 shares (\$300,000) of common stock. If any of the following persons purchase shares of common stock, their purchases, in all categories of the offering combined, when combined with your purchases, cannot exceed 50,000 shares (\$500,000) of common stock:

- your spouse or relatives of you or your spouse living in your house;
- most companies, trusts or other entities in which you are a trustee, have a substantial beneficial interest or hold a senior position; or
- other persons who may be your associates or persons acting in concert with you.

May I use my Ponce De Leon Federal Bank individual retirement account (“IRA”) to purchase shares?

You may be able to use funds currently held in retirement accounts with the Bank. **However**, before you place your stock order, the funds you wish to use must be transferred to a self-directed retirement account maintained by an independent trustee or custodian, such as a brokerage firm. If you are interested in using IRA or any other retirement funds held at the Bank *or elsewhere*, please call our Stock Information Center as soon as possible for guidance, **but preferably at least two weeks before** [END DATE], the offering deadline. Your ability to use such funds for this purchase may depend on time constraints because this type of purchase requires additional processing time, and may be subject to limitations and fees imposed by the institution where the funds are held.

May I change my mind after I place my order?

No. After receipt, your executed Stock Order Form may not be modified, amended or rescinded without our consent, unless the offering is not completed by [EXTENSION DATE].

Will the stock be insured?

No. Like any common stock, PDL Community Bancorp common stock will **NOT** be insured.

Will dividends be paid on the shares of common stock?

We have no current plan or intention to pay cash dividends to our stockholders. No assurances can be given that any dividends will be paid.

How will PDL Community Bancorp shares trade?

Following completion of the reorganization and offering, PDL Community Bancorp’s common stock is expected to trade on the Nasdaq Global Market under the symbol “PDLB.” Once the shares have begun trading, you may contact a firm offering investment services to buy or sell PDL Community Bancorp shares.

If I purchase shares in the offering, when will I receive my shares?

All shares of common stock sold will be issued in book entry form and held electronically on the books of our transfer agent. Stock certificates will not be issued. A statement reflecting ownership of shares sold in the subscription and community offerings will be mailed by our transfer agent to the persons entitled thereto at the registered address noted by them on their Stock Order Form as soon as practicable following consummation of the reorganization. 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.

HOW TO GET FURTHER INFORMATION

Where can I call to get more information?

For more information, refer to the enclosed Prospectus or call our Stock Information Center, toll-free, at [SIC PHONE], Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays. You may also meet in person with a representative of Raymond James & Associates, Inc., who is assisting us with the offering, by visiting the Bank’s administrative office located at 2244 Westchester Street, Bronx, NY, between the hours of [times and days of availability TBD].

[BANK LOGO]



HAVE YOU VOTED YET?

We wish to remind all eligible members to vote to approve our Plan of Reorganization and the establishment of our new charitable foundation, the Ponce De Leon Foundation.

- **The Plan will not result in changes to our staff or your account relationships with the Bank.**
- **Your deposit accounts will continue to be insured by the FDIC up to the maximum legal limits.**
- **Voting does not obligate you to purchase shares of common stock during our stock offering.**

Your Board of Directors recommends that you join them in voting “FOR” the Plan of Reorganization and “FOR” establishment of the charitable foundation.

If you have questions about voting, call our Information Center, toll-free, at [SIC Phone], Monday – Friday, 10:00 a.m. to 4:00 p.m., Eastern Time.

This notice is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being sold are not savings accounts or deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.



PDL Community Bancorp™

**OUR STOCK OFFERING EXPIRES
[END DATE].**

PDL Community Bancorp, the proposed holding company resulting from the reorganization of the Bank, is conducting a common stock offering.

If you are an eligible member of the Bank you may have priority rights to participate in the offering.

During the offering shares may be purchased directly from PDL Community Bancorp without paying a sales commission. However, the subscription offering for the Bank's eligible members is scheduled to expire at 12:00 p.m., Eastern Time, on [END DATE].

If you have questions about the stock offering, call our Stock Information Center, toll-free, at [SIC Phone],
Monday – Friday, 10:00 a.m. to 4:00 p.m., Eastern Time.

This notice is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being offered are not savings accounts or deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.



PDL Community BancorpSM

Proposed Holding Company for Ponce Bank, Bronx, New York

**UP TO [MAX SHARES]
SHARES COMMON STOCK
(subject to increase to [ADJUSTED MAX SHARES])**

**\$10.00 Per Share
Purchase Price**

PDL Community Bancorp is conducting an offering of its common stock. During the offering, shares may be purchased directly from PDL Community Bancorp without payment of a sales commission.

This offering is scheduled to expire at 12:00 p.m., Eastern Time, on [END DATE].

To receive a copy of the prospectus and stock order form, call our Stock Information Center, toll-free, at [SIC PHONE]. The Stock Information Center is open Monday – Friday from 10:00 a.m. to 4:00 p.m., Eastern Time, excluding bank holidays.

This is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being offered are not savings accounts or deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

START OF OFFERING

Ponce De Leon Federal Bank Website Message

Plan of Reorganization and Stock Offering Information

We are pleased to announce that materials were mailed on or about [MAIL DATE] regarding Ponce De Leon Federal Bank's Plan of Reorganization and the related stock offering by PDL Community Bancorp. If you were a depositor as of October 31, 2015, [SUPPLEMENTAL DATE], or [VOTING RECORD DATE], you may have priority rights to purchase shares in the offering and we have mailed you a packet of materials describing the reorganization and stock offering. We encourage you to read the information carefully.

If you were a depositor of Ponce De Leon Federal Bank as of [VOTING RECORD DATE], one or more proxy cards are included in your packet. **We encourage you to vote ALL proxy cards as promptly as possible.**

A prospectus describing PDL Community Bancorp's stock offering was also enclosed. The subscription offering for eligible members of Ponce De Leon Federal Bank has commenced and continues until 12:00 p.m., Eastern Time, on [END DATE], at which time your order and payment must be received if you wish to take part in the offering.

If you have questions about the stock offering or voting your proxy cards, call our Stock Information Center, toll-free, at [SIC Phone], Monday – Friday, 10:00 a.m. to 4:00 p.m., Eastern Time.

This is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being offered are not savings accounts or deposits and are not insured or guaranteed the Federal Deposit Insurance Corporation or any other government agency.

END OF OFFERING

Ponce De Leon Federal Bank Website Message

Stock Issuance Information

The PDL Community Bancorp stock offering closed on [CLOSE DATE]. [Language to be taken from closing press release regarding the results of the offering.]

On or about [CLOSE DATE + 1], a statement reflecting ownership of shares sold in the offering will be mailed by First-Class Mail® by our transfer agent to our new stockholders at the registered address noted by them on their Stock Order Form.

On or about [REFUND MAIL DATE], interest [and refund (if applicable)] checks will be mailed by First-Class Mail® to subscribers at the registered address noted by them on their Stock Order Form.

[Include next two paragraphs if the offering is oversubscribed:

Allocations are available by calling our Stock Information Center at [SIC PHONE]. Please have your order acknowledgement letter available when calling the Stock Information Center.

Notice to Subscribers not receiving all shares: Please be aware that while we believe the allocations to be final at this time, we reserve the right to make changes to allocations up to the time of trading. We recommend you verify the number of shares you received on the face of the stock ownership statement you will receive, prior to trading your shares.]

Our transfer agent will be mailing all ownership statements and interest [and refund] checks. Our transfer agent is American Stock Transfer & Trust Company LLC. You may reach an AST representative by dialing (800) 937-5449 and selecting Option 1 or by dialing (718) 921-8124. You may also e-mail AST at help@astfinancial.com.

We anticipate trading will begin on or about [TRADE DATE] on the Nasdaq Global Market under the symbol "PDLB".

This is not an offer to sell or a solicitation of an offer to buy shares of common stock. The offer is made only by the prospectus. The shares of common stock being offered are not savings accounts or deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

VOTING SITE HYPERLINK *(Optional – if hyperlink to voting site is supported)*

Ponce De Leon Federal Bank Website Message



HAVE YOU VOTED YET?

IF NOT, VOTE TODAY!

Our eligible members as of [VOTING RECORD DATE] were mailed proxy card(s) and other materials requesting them to cast votes to approve our Plan of Reorganization and the establishment of our new charitable foundation, the Ponce De Leon Foundation.

If you received proxy cards but have not yet voted, a quick way to vote is to click on “**Vote Now**” below. This will link you to our internet voting site.

VOTE NOW *(click here)*

HYPERLINK= [VOTING WEBSITE URL]

Thank you for taking a moment to cast your vote online. Have your proxy card in hand so that you can enter online the 12 digit control number printed on your proxy card.

We hope that you will vote “FOR” the Plan of Reorganization and “FOR” establishment of the charitable foundation. If you have questions about voting, please call our Information Center, toll-free, at [SIC PHONE], Monday - Friday, 10:00 a.m. to 4:00 p.m., Eastern Time.

VOTE REMINDER NOTICE *(Optional – if hyperlink to voting site is NOT supported)*
Ponce De Leon Federal Bank Website Message



**HAVE YOU VOTED YET?
IF NOT, VOTE TODAY!**

Our eligible members as of [VOTING RECORD DATE] were mailed proxy card(s) and other materials requesting them to cast votes to approve our Plan of Reorganization and the establishment of our new charitable foundation, the Ponce De Leon Foundation.

If you received proxy cards but have not voted, please vote by mail, or by following the telephone or internet voting instructions attached to your proxy card(s).

We hope that you will vote "FOR" the Plan of Reorganization and "FOR" establishment of the charitable foundation. If you have questions about voting, please call our Information Center, toll-free, at [SIC PHONE], Monday - Friday, 10:00 a.m. to 4:00 p.m., Eastern Time.



**YOUR PROXY VOTE IS VERY IMPORTANT! PLEASE VOTE THE
ENCLOSED PROXY CARD TODAY.**

Depending on the ownership structure of your accounts, you may have been mailed multiple proxy cards. It is important to Ponce De Leon Federal Bank that you vote all of the proxy votes you are entitled to. If you are unsure whether you have voted ALL PROXY CARDS you have received, please vote the enclosed replacement proxy card today. Your votes cannot be counted twice. However, not voting will have the same effect as voting "Against" the Plan of Reorganization and "Against" the establishment of the charitable foundation.

Please follow the instructions on your proxy card to vote by INTERNET or TELEPHONE today.

Your Board of Directors urges you to vote "FOR" the Plan of Reorganization and "FOR" the establishment of the charitable foundation.

Please note:

- Implementation of the Plan of Reorganization will not have any effect on your deposit accounts or loans at Ponce De Leon Federal Bank.
- Your deposit accounts will not be converted to common stock.
- Voting will not require you to purchase common stock during the offering.

THANK YOU FOR YOUR SUPPORT!

(Sized for statement/half page, 8.5" x 5.5", will print on colored stock)

Questions? - Call our Information Center, toll-free, at () - .
Monday – Friday, 10:00 a.m. – 4:00 p.m., Eastern Time, except bank holidays.

PG3

P1

STOCK ORDER FORM

SEND OVERNIGHT PACKAGES TO:



PDL Community Bancorp

Raymond James & Associates, Inc.
 PDL Community Bancorp Processing Center
 222 S. Riverside Plaza, 7th Floor
 Chicago, IL 60606
 1-(888) - - - -

Deadline: The Subscription Offering ends at [] p.m., Eastern Time, on [Expiration Date]. Your original Stock Order Form, properly executed and with the correct payment, must be received (not postmarked) by the deadline or it will be considered void. Orders may be delivered to the address on the top of this form or to the PO Box address on the business reply envelope provided. **Faxes or copies of this form may not be accepted. PDL Community Bancorp reserves the right to accept or reject improperly completed stock order forms. PLEASE PRINT CLEARLY AND COMPLETE ALL AREAS. - READ THE ENCLOSED STOCK ORDER FORM INSTRUCTIONS AS YOU COMPLETE THIS FORM.**

(1) Number of Shares	Price Per Share X \$10.00 =	(2) Total Amount Due \$
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THE MINIMUM PURCHASE IS 25 SHARES (\$250). No person may purchase more than 30,000 shares (\$300,000). Also, no person together with an associate or group of persons acting in concert may purchase more than 50,000 shares (\$500,000).

(3a) Method of Payment - Check or Money Order
 Enclosed is a personal check, bank check or money order made payable to PDL Community Bancorp in the amount of: \$
 Checks will be cashed upon receipt.

(3b) Method of Payment - Certificate or Savings Account Withdrawal ONLY
 The undersigned authorizes withdrawal from the Ponce De Leon Federal Bank deposit account(s) listed below. There will be no early withdrawal penalty applicable for withdrawals authorized on this form. Funds designated for withdrawal must be in the account(s) listed at the time this form is received. **Ponce De Leon Federal Bank IRAs or accounts with check-writing privileges may NOT be listed for withdrawal below.**

Account Number(s) (Certificates or Savings Accounts Only)	Withdrawal Amount(s)
	\$
	\$
	\$
Total Withdrawal Amount	\$

(4) Purchaser Priority
 Subscription Offering
 Check the one box that applies, as of the earliest date, to the purchaser(s) listed in Section 8:

- a) **Eligible Account Holders** - Depositors of Ponce De Leon Federal Bank with aggregate deposit account balances of \$50 or more at the close of business on October 31, 2015. Enter information in Section 9 for all deposit accounts that you had at Ponce De Leon Federal Bank on this date.
- b) **Supplemental Eligible Account Holders** - Depositors of Ponce De Leon Federal Bank with aggregate deposit account balances of \$50 or more at the close of business on [] 2017,] who were not able to subscribe for shares under the Eligible Account Holders priority. Enter information in Section 9 for all deposit accounts that you had at Ponce De Leon Federal Bank as of this date.
- c) **Other Members** - Members of Ponce De Leon Federal Bank as of the close of business on [] 2017] who were not able to subscribe for shares under the Eligible or Supplemental Eligible Account Holder priorities, including borrowers as of April 11, 1985 who maintained such borrowings as of [] 2017]. Enter information in Section 9 for all deposit or loan accounts that you had at Ponce De Leon Federal Bank as of this date.

- Community Offering
- d) **Local Community** - Residents of the New York Counties of Bronx, New York, Queens and King and the New Jersey County of Hudson.
 - e) **General Public** - Check here if none of the above priorities apply to you.

(5) Management/Employee/Family Member: Check if you are a Ponce Bank Mutual Holding Company, PDL Community Bancorp, PDL Community Bancorp, or Ponce De Leon Federal Bank Director, Officer, Employee, or Immediate family member, as defined in the Stock Order Form Instructions.

(6) Maximum Purchaser Identification: Check here if you, individually or together with others (see section 7), are subscribing for the maximum purchase allowed and are interested in purchasing more shares if the maximum purchase limitation is increased. See Item 1 of the Stock Order Form Instructions.

(7) Associates/Acting in Concert: Check here if you, or any associates or persons acting in concert with you (as defined in the Prospectus dated [] 2017), have submitted other orders for shares. If you check this box, list below all other orders submitted by you or your associates or persons acting in concert with you. SEE THE STOCK ORDER FORM INSTRUCTIONS FOR FURTHER DETAILS.

Name(s) listed in section 8 on other order forms	Shares Ordered	Name(s) listed in section 8 on other order forms	Shares Ordered

(8) Stock Registration: Please **PRINT** legibly and fill out completely: The stock ownership statement and all correspondence related to this stock order will be mailed to the address provided below. Do not include below the name(s) of any persons who do not have the same Purchaser Priority (section 4 above) as you. Check only one box below. See the Stock Order Form Instructions for further details.

- Individual Joint Tenants Tenants in Common Corporation (include TaxID and name of corporation only) Partnership (include Tax ID and name of partnership only)
- Individual Retirement Account (include Tax ID of custodian and SS# of owner) Uniform Transfers to Minors Act (include SS# of minor only) Trust Under Agreement Dated _____

Name	SS# or Tax ID#
Name	SS# or Tax ID#
Address	Daytime Telephone #
City State Zip Code County	Evening Telephone #

(9) Qualifying Accounts: You should list any accounts that you have or had with Ponce De Leon Federal Bank in the box below. SEE THE STOCK ORDER FORM INSTRUCTIONS FOR FURTHER DETAILS. All subscription orders are subject to the provisions of the stock offering as described in the prospectus. Attach a separate page if additional space is needed. **Failure to list all of your accounts may result in the loss of part or all of your subscription rights if the offering is oversubscribed.**

Names on Accounts	Account Numbers

(10) Acknowledgement, Certification and Signature: I understand that to be valid, this form, properly completed, together with full payment or withdrawal authorization, must be received by PDL Community Bancorp (not postmarked) no later than 12:00 p.m., Eastern Time, on [Expiration Date] otherwise this form and all of my subscription rights will be void. **(continued on reverse)**

*** **ORDER NOT VALID UNLESS SIGNED** ***

ONE SIGNATURE REQUIRED, UNLESS SECTION (3b) OF THIS FORM INCLUDES ACCOUNTS REQUIRING MORE THAN ONE SIGNATURE TO AUTHORIZE WITHDRAWAL.

Signature	Date	Signature	Date
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Internal Use Only: Date Rec'd / Check# \$ Check# \$ Batch# Order # Priority

(10) Acknowledgement, Certification and Signature (continued from front side of Stock Order Form)

I agree that after receipt by PDL Community Bancorp this Stock Order Form may not be modified or cancelled without the consent of PDL Community Bancorp, and that if withdrawal from a deposit account has been authorized the authorized amount will not otherwise be available for withdrawal. **Under penalty of perjury, I certify that: 1) I am purchasing shares solely for my account and there is no agreement or understanding regarding the sale or transfer of such shares, or my right to subscribe for shares, 2) the Social Security or Tax ID information and all other information provided hereon are true, correct and complete, and 3) I am not subject to backup withholding tax [cross out (3) if you have been notified by the IRS that you are subject to backup withholding.]** I acknowledge that my order does not conflict with the maximum purchase limitation of \$300,000 for any person, or \$500,000 for any person together with associates of, or persons acting in concert with, such person, or entity, in all categories of the offering, combined as set forth in the Plan of Reorganization and the Prospectus dated [, 2017].

Subscription rights pertain to those eligible to place orders in the Subscription Offering. Federal regulations prohibit any person from transferring or entering into any agreement directly or indirectly to transfer the legal or beneficial ownership of subscription rights, or the underlying securities, to the account of another.

I ACKNOWLEDGE THAT THIS SECURITY IS NOT A DEPOSIT OR ACCOUNT AND IS NOT FEDERALLY INSURED, AND IS NOT GUARANTEED BY PONCE BANK MUTUAL HOLDING COMPANY, PDL COMMUNITY BANCORP, OR PONCE BANK OR BY THE FEDERAL GOVERNMENT. THE ENTIRE AMOUNT OF AN INVESTOR'S PRINCIPAL IS SUBJECT TO LOSS.

If anyone asserts that this security is federally insured or guaranteed, or is as safe as an insured deposit, I should call the Office of the Comptroller of the Currency at 1-(800) 613-6743. I further certify that, before purchasing the common stock of PDL Community Bancorp I received the Prospectus dated [, 2017] and that I have read the terms and conditions described in the Prospectus, including disclosure concerning the nature of the security being offered and the risks involved in the investment described in the **“Risk Factors” section beginning on page [TBD]**, which risks include but are not limited to the following:

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.
- 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 business may be adversely affected by credit risk associated with residential property.
- The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in the local economy.
- If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.
- 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.
- 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.
- 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.
- Our efficiency ratio is high, and we anticipate that it may remain high, as a result of the ongoing implementation of our business strategy.
- 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.
- Future changes in interest rates could reduce our profits and asset values.
- Changes in the valuation of securities held could adversely affect us.
- Strong competition within our market areas may limit our growth and profitability.
- Our small size makes it more difficult for us to compete.
- 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.
- Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.
- Our ability to originate loans could be restricted by recently adopted federal regulations.
- 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 have become subject to more stringent capital requirements, which may adversely impact our return on equity, require
- 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.
- Changes in accounting standards could affect reported earnings.
- Changes in management's estimates and assumptions may have a material impact on our consolidated financial statements and our financial condition or operating results.

- Legal and regulatory proceedings and related matters could adversely affect us.
- We are subject to environmental liability risk associated with lending activities or properties we own.
- 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.
- Our historical markets, minority and immigrant individuals, may be threatened by gentrification and adverse political developments, which could decrease our growth and profitability.

Risks Related to the Offering

- The future price of our common stock may be less than the purchase price in the stock offering.
- 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.
- 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.
- Our stock-based benefit plans will increase our costs, which will reduce our income.
- We intend to terminate our pension plan at some point following completion of the reorganization, which will reduce our income for the quarter and year of the termination.
- The implementation of one or more stock-based benefit plans may dilute your ownership interest.
- 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.
- 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.
- Our stock value may be negatively affected by our mutual holding company structure and federal regulations restricting takeovers.
- 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.
- 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.
- You may not receive dividends on our common stock.
- 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.
- 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.
- 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.
- 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 Risks Related to the Contribution to Our Charitable Foundation.

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

EXECUTION OF THIS CERTIFICATION FORM WILL NOT CONSTITUTE A WAIVER OF ANY RIGHTS THAT A PURCHASER MAY HAVE UNDER THE SECURITIES ACT OF 1933 AND THE SECURITIES EXCHANGE ACT OF 1934, BOTH AS AMENDED.

PDL Community Bancorp
Stock Order Form Instructions

Stock Order Form Instructions – All orders are subject to the provisions of the stock offering as described in the prospectus.

Item 1 and 2 – Number of Shares and Total Amount Due - Fill in the number of shares that you wish to purchase and the total payment due. The amount due is determined by multiplying the number of shares ordered by the subscription price of \$10.00 per share. The minimum number of shares of common stock you may order is 25 shares. The maximum number of shares that can be ordered by any person in the offering, or persons exercising subscription rights through a single qualifying account held jointly, is 30,000 shares (\$300,000), and no person together with an associate or group of persons acting in concert may purchase more than 50,000 shares (\$500,000) in the offering. For additional information, see “The Reorganization and Offering – Offering of Common Stock – Limitations on Purchase of Shares” in the Prospectus dated [EFFECTIVE DATE].

Item 3a – Payment by Check - Payment for shares may be made by personal check, bank check or money order payable to PDL Community Bancorp. DO NOT MAIL CASH. Funds received during 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.

Item 3b – Payment by Account Withdrawal - To pay by **withdrawal from a savings account or certificate of deposit** at Ponce De Leon Federal Bank, insert the account number(s) and the amounts(s) you wish to withdraw from each account. If more than one signature is required for a withdrawal, all signatories must sign in the signature box on the front of the Stock Order Form. **To withdraw from an account with check writing privileges, please write a check.** Ponce De Leon Federal Bank will waive any applicable penalties for early withdrawal from certificate of deposit accounts (CDs) for the purpose of purchasing stock in the offering. A hold will be placed on the account(s) for the amount(s) you indicate to be withdrawn. Payments will remain in account(s) until the offering closes and will earn their respective rate of interest, but will not be available for your use until the completion of the transaction.

Item 4 – Purchaser Priority - Check the appropriate box (a, b, or c) to tell us the earliest of the three dates that applies to you and any others subscribing for shares with this order form. If boxes a, b, and c do not apply to you, then check the Local Community or General Public box, as appropriate.

Item 5 – Management/Employee/Family Member - Check the appropriate box if you are a Ponce Bank Mutual Holding Company, PDL Community Bancorp, or Ponce De Leon Federal Bank: director, officer, employee, or immediate family member. “Immediate Family” includes the spouse, parents, siblings and children who live in the same house as the director, officer or employee.

Item 6 – Maximum Purchase - Check the box, if applicable. If you check the box but have not subscribed for the maximum amount and did not complete Item 7, you may not be eligible to purchase more shares in the event maximum purchase limitations are increased.

Item 7 – Associates/Acting in Concert - Check the box, if applicable, and provide the requested information. Attach a separate page, if necessary. **The term “associate” of a person means:** 1) 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; 2) 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 3) 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. **The term “acting in concert” means:** 1) knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not pursuant to an express agreement; or 2) 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. In the Prospectus dated [EFFECTIVE DATE], please see the section entitled “The Reorganization and Offering – Offering of Common Stock – Limitations on Purchase of Shares” for more information regarding the definition of “associate” and “acting in concert.”

Item 8 – Stock Registration - The stock transfer industry has developed a uniform system of stockholder registrations that we will use in the issuance of PDL Community Bancorp common stock. See below and the reverse side of this form for further details regarding common forms of stock registration. Please complete this section as fully and accurately as possible, and be certain to supply your social security or Tax I.D. number(s) and your daytime and evening phone numbers. We will need to call you if we cannot execute your order as given. If you have any questions regarding the registration of stock, please consult your legal advisor or contact the Stock Information Center at [SIC PHONE]. Subscription rights are not transferable. If you are an eligible or supplemental eligible account holder or other member, as defined in the Prospectus, to protect your priority rights over other purchasers as described in the Prospectus, you must take ownership in at least one of the account holder’s names.

(Continued on reverse side)

Side 1

PDL Community Bancorp
Stock Order Form Instructions

Please check only the one box which corresponds to the ownership desired.

Individual – The stock is to be registered in one individual’s name only. Provide only this individual’s information.

Joint Tenants – Joint tenants with rights of survivorship identifies two or more owners. When stock is held by joint tenants with rights of survivorship, ownership automatically passes to the surviving joint tenant(s) upon the death of any joint tenant. All owners must agree to the transfer or sale of shares held by joint tenants.

Tenants in Common – Tenants in common may also identify two or more owners. However, when stock is held by tenants in common, upon the death of one co-tenant, ownership of the stock will be held by the surviving co-tenant(s) and by the heirs of the deceased co-tenant. All owners must agree to the transfer or sale of shares held by tenants in common.

Individual Retirement Accounts – Individual Retirement Account (“IRA”) holders may potentially make stock purchases from their existing IRA if it is a **self-directed IRA**, or through a **prearranged** “trustee-to-trustee” transfer if their IRA is currently at Ponce De Leon Federal Bank. **The stock cannot be held in a Ponce De Leon Federal Bank account.** Please contact your broker or self-directed IRA provider as quickly as possible to explore this option, as it may take a number of weeks to complete a trustee-to-trustee transfer and place a subscription in this manner. **IRA Registration:**

Name Line 1 – list the name of the custodian/brokerage firm holding your IRA, followed by “CUST”.

Name Line 2 – FBO (for benefit of) YOUR NAME [IRA a/c #].

Address will be that of the brokerage/trust department to where the ownership statement will be sent.

Include both the Tax I.D. Number of the custodian as well as your personal Social Security Number.

Please list **your** phone numbers, **not** the phone numbers of your broker / trust department.

Uniform Transfers to Minors Act (“UTMA”) – For residents of *New York* and many states, stock may be held in the name of a custodian For the Benefit Of (“FBO”) a minor under the **Uniform Transfers to Minors Act**. In this form of ownership, the minor is the actual owner of the stock with an adult custodian being responsible for the investment until the child reaches legal age. Only one custodian and one minor may be designated. **UTMA Registration:**

Name Line 1: print the name of the custodian followed by the abbreviation CUST

Name Line 2: FBO “name of the minor”, followed by UTMA- NY (or your state’s abbreviation)

List only the minor’s social security number on the form.

Corporation/Partnership – Corporations and partnerships may purchase stock. Please provide the corporation or partnership’s legal name and Tax I.D. Number. To have subscription rights within a customer priority, the corporation or partnership must have an account in its legal name and Tax I.D. Number. Please contact the Stock Information Center to verify customer rights and purchase limitations.

Fiduciary/Trust – Generally, fiduciary relationships (such as trusts, estates, guardianships, etc.) are established under a form of trust agreement or pursuant to a court order. Without a legal document establishing a fiduciary relationship, your stock may not be registered in a fiduciary capacity. To have subscription rights within a customer priority, the fiduciary or trust must have an account in its legal name and Tax I.D. Number. Please contact the Stock Information Center to verify customer rights and purchase limitations. *Instructions:* On the first name line, print the first name, middle initial, and last name of the fiduciary if the fiduciary is an individual. If the fiduciary is a corporation, list the corporate title on the first name line. Following the name, print the fiduciary title, such as trustee, executor, personal representative, etc. On the second name line, print the name of the maker, donor or testator or the name of the beneficiary. Following the name, indicate the type of legal document establishing the fiduciary relationship (agreement, court order, etc.) In the blank after “Under Agreement Dated,” fill in the date of the document governing the relationship. The date of the document need not be provided for a trust created by a will.

Item 9 – Qualifying Accounts - List all qualifying accounts that you had with Ponce De Leon Federal Bank as of the date corresponding to the box checked in Item 4. For example, if you are ordering stock in just your name, you should list all of your account numbers as of the earliest of the three dates that you were a qualifying customer of Ponce De Leon Federal Bank. Similarly, if you are ordering stock jointly with another customer, you should list all account numbers under which either of you are owners, i.e., individual accounts, joint accounts, etc. If you are ordering stock in your minor child’s or grandchild’s name under the Uniform Transfers to Minors Act, the minor must have had a qualifying account as of the date corresponding to the box checked in Item 4, and you should list only their account number(s). If you are ordering stock as a corporation, partnership or other legal business entity, you need to list just that entity’s account number(s), as your individual account number(s) do not qualify. Failure to list all of your qualifying account numbers may result in the loss of part or all of your subscription rights if the offering is oversubscribed.

Item 10 – Acknowledgment, Certification, and Signature - Sign and date the form where indicated. **Before you sign please carefully review the information you have provided and read the acknowledgement and both sides of the Stock Order Form.** Only one signature is required, unless any account listed in section 3b of this form requires more than one signature to authorize a withdrawal. Please review the Prospectus dated [EFFECTIVE DATE] carefully before making an investment decision.