SUSSEX BANCORP
Form S-4
July 24, 2017
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**As filed with the Securities and Exchange Commission on July 24, 2017**

**Registration No. 333-**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM S-4**

**REGISTRATION STATEMENT**

***UNDER***

***THE SECURITIES ACT OF 1933***

**Sussex Bancorp**

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **New Jersey** | **6022** | **22-3475473** |
| **(State or other jurisdiction of incorporation or organization)** | **(Primary Standard Industrial Classification Code Number)** | **(I.R.S. Employer Identification Number)** |

**100 Enterprise Drive, Suite 700**

**Rockaway, New Jersey 07866**

**(844) 256-7328**

**(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)**

**Anthony Labozzetta**

**President and Chief Executive Officer**

**100 Enterprise Drive, Suite 700**

**Rockaway, New Jersey 07866**

**(844) 256-7328**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*With copies to:*

| | |
|---|---|
| **Richard A. Schaberg, Esq.** | **Edward C. Hogan, Esq.** |
| **Hogan Lovells US LLP** | **Stevens & Lee** |
| **555 Thirteenth Street, NW** | **Princeton Pike Corporate Center** |
| **Columbia Square** | **100 Lenox Drive, Suite 200** |
| **Washington, D.C. 20004** | **Lawrenceville, NJ 08648** |
| **(202) 637-5910** | **(609) 243-6434** |

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective and upon completion of the merger described in the enclosed joint proxy statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

| | | |
|---|---|---|
| Large accelerated filer | | 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.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

| **Title of each class of securities to be registered** | **Amount to be registered (1)** | **Proposed maximum aggregate offering price (2)** | **Amount of registration fee (3)** |
|---|---|---|---|
| Common Stock, no par value per share | 1,900,000 | $44,933,401.25 | $5,207.78 |

(1) Represents the estimated maximum number of shares of Sussex Bancorp common stock that may be issued upon the completion of the merger described herein. This registration statement also relates to an indeterminate number of shares of Sussex Bancorp common stock that may be issued upon stock splits, stock dividends or similar transactions in accordance with Rule 416 under the Securities Act.

(2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rules 457(c) and 457(f) of the Securities Act, the proposed maximum aggregate offering price of the registrant s common stock was computed by multiplying (a) $23.125, the average of the high and low prices per share of Community Bank of Bergen County, NJ common stock on the OTC Market on July 19, 2017, by (b) 1,943,066, the maximum possible number of shares of Community Bank of Bergen County, NJ common stock that may be cancelled and exchanged in the merger.

(3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to $115.90 per $1,000,000 of the proposed maximum aggregate offering price.

**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 Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION DATED JULY 24, 2017**

**Joint Proxy Statement/Prospectus**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

On April 10, 2017, the boards of directors of Sussex Bancorp, or Sussex, and Community Bank of Bergen County, NJ, or Community, each unanimously approved a merger agreement between Sussex and Community, pursuant to which Community will merge with and into Sussex Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of Sussex, with Sussex Bank surviving the merger.

Sussex and Community are each holding a separate special meeting for their respective shareholders to vote on the proposals necessary to complete the merger. The merger cannot be completed unless the holders of at least a majority of the votes cast at a meeting of shareholders by holders of shares of Sussex common stock and the holders of at least two-thirds of the shares of Community common stock outstanding and entitled to vote at each company s shareholder meeting vote to adopt and approve the merger agreement. The boards of directors of Sussex and Community each unanimously recommends that all of their respective shareholders vote **FOR** adoption and approval of the merger agreement.

The special meeting of Sussex shareholders will be held at the on , at , local time. The special meeting of Community shareholders will be held at the on , at , local time.

If the merger is completed, Community shareholders will receive 0.97 shares of Sussex common stock for each share of Community common stock they own on the effective date of the merger. Community shareholders will also receive cash in lieu of any fractional shares they would have otherwise received in the merger. Sussex has registered 1,860,600 shares of its common stock for issuance to the Community shareholders, which represents the estimated maximum number of shares of Sussex common stock that may be issued upon the completion of the merger described herein. Although the number of shares of Sussex common stock that holders of Community common stock will be entitled to receive is fixed, the market value of the stock consideration will fluctuate with the market price of Sussex common stock and will not be known at the time Community shareholders vote on the merger. However, as described in more detail elsewhere in this joint proxy statement/prospectus, under the terms of the merger agreement, if the average price of Sussex common stock over a specified period of time decreases below certain specified thresholds, Community would have a right to terminate the merger agreement, unless Sussex elects to increase the exchange ratio, which would result in additional shares of Sussex common stock being issued.

Sussex common stock is listed on the NASDAQ Global Market under the symbol SBBX and Community common stock is quoted on the OTC under the symbol CMTB . On April 10, 2017, which was the last trading day preceding the public announcement of the proposed merger, the closing price of Sussex common stock was $25.05 per share, which after giving effect to the exchange ratio has an implied value of $ 24.30 per share. On , 2017, which was the most recent practicable trading day before the printing of this joint proxy statement/prospectus, the closing price of Sussex common stock was $ , which after giving effect to the exchange ratio, has an implied value of approximately $ per share. The market prices of Sussex and Community will fluctuate between now and the closing of the merger. We urge you to obtain current market quotations for both Sussex and Community common stock.

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**Your vote is important regardless of the number of shares you own.** Whether or not you plan to attend your company s shareholder meeting, please take the time to vote by completing and mailing the enclosed proxy card or by submitting a proxy through the Internet or by telephone as described in the instructions on the enclosed proxy card as soon as possible to make sure your shares are represented at the shareholder meeting. If you hold shares through a bank or broker, please use the voting instructions you have received from your bank or broker. If you submit a properly signed proxy card without indicating how you want to vote, your proxy will be counted as a vote **FOR** each of the proposals being voted on at your company s shareholder meeting. The failure to vote by submitting your proxy or attending your company s shareholder meeting and voting in person will have the same effect as a vote against adoption and approval of the merger agreement.

The accompanying document serves as the joint proxy statement for the special meeting of Sussex and the special meeting of Community, and as the prospectus for the shares of Sussex common stock to be issued in connection with the merger. This joint proxy statement/prospectus describes the shareholder meetings, the merger, the documents related to the merger and other related matters. Sussex and Community have sent you this joint proxy statement/prospectus and the proxy card because their respective board of directors is soliciting your proxy to vote at the respective shareholder meeting. Please carefully review and consider this joint proxy statement/prospectus. **Please give particular attention to the discussion under the heading Risk Factors beginning on page 30 for risk factors relating to the merger which you should consider.**

We look forward to the successful completion of the merger.

Sincerely,

| | |
|---|---|
| Anthony Labozzetta | Peter A. Michelotti |
| Sussex Bancorp | Community Bank of Bergen County, NJ |
| President and Chief Executive Officer | President and Chief Executive Officer |

**Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the securities to be issued in the merger or determined if the attached joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

**The shares of Sussex common stock to be issued in the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.**

This joint proxy statement/prospectus is dated , 2017, and is first being mailed to Sussex shareholders and Community shareholders on or about , 2017.

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**125 W. Pleasant Ave.**

**Maywood, NJ 07607**

**(201) 587-1221**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

A special meeting of shareholders of Community Bank of Bergen County, NJ, or Community, will be held at the on , at , local time, for the following purposes:

1. to consider and vote on a proposal to approve the Agreement and Plan of Merger, or the merger agreement, by and between Sussex Bancorp, or Sussex, Sussex Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of Sussex, and Community, dated as of April 10, 2017, pursuant to which Community will merge with and into Sussex Bank with Sussex Bank surviving the merger; and

2. to consider and vote on a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are insufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement.

The merger agreement and proposed merger of Community with and into Sussex Bank is more fully described in the attached joint proxy statement/prospectus, which you should read carefully and in its entirety before voting. A copy of the merger agreement is included as Annex A to the attached joint proxy statement/prospectus.

The board of directors of Community has established the close of business on , 2017 as the record date for the special meeting. Only record holders of Community common stock as of the close of business on that date will be entitled to notice of and vote at the special meeting or any adjournment or postponement of that meeting. A list of shareholders entitled to vote at the special meeting will be available for inspection at the special meeting and before the special meeting, during the period beginning two business days after notice of the meeting is given and upon written request by any Community shareholder. The affirmative vote of holders of at least two-thirds of the shares of Community common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement.

Your vote is important, regardless of the number of shares that you own. **Please complete, sign and return the enclosed proxy card promptly in the enclosed postage-paid envelope or submit a proxy through the Internet or by telephone as described in the instructions contained on the enclosed proxy card.** Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. You may revoke your proxy at any time before the meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions furnished to you by such record holder with these materials. If you do not vote in person or by proxy, the effect will be a vote **AGAINST** approval of the merger agreement.

**The Community board of directors unanimously recommends that you vote FOR approval of the merger agreement and FOR the adjournment proposal as described above.**

By Order of the Board of Directors,

Cecelia McMullen James

*Corporate Secretary*

Maywood, New Jersey

, 2017

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**100 Enterprise Drive, Suite 700**

**Rockaway, New Jersey 07866**

**(844) 256-7328**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON**

A special meeting of shareholders of Sussex Bancorp, or Sussex, will be held at the on , at , local time, for the following purposes:

1. to consider and vote on a proposal to approve the Agreement and Plan of Merger, or the merger agreement, by and between Sussex Bancorp, or Sussex, Sussex Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of Sussex, and Community Bank of Bergen County, NJ, or Community, dated as of April 10, 2017, pursuant to which Community will merge with and into Sussex Bank with Sussex Bank surviving the merger; and

2. to consider and vote on a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are insufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to approve the merger agreement.

The merger agreement and proposed merger of Community with and into Sussex Bank is more fully described in the attached joint proxy statement/prospectus, which you should read carefully and in its entirety before voting. A copy of the merger agreement is included as Annex A to the attached joint proxy statement/prospectus.

The board of directors of Sussex has established the close of business on , 2017 as the record date for the special meeting. Only record holders of Sussex common stock as of the close of business on that date will be entitled to notice of and vote at the special meeting or any adjournment or postponement of that meeting. A list of shareholders entitled to vote at the special meeting will be available for inspection at the special meeting and before the special meeting, during the period beginning two business days after notice of the meeting is given and upon written request by any Sussex shareholder. The affirmative vote of holders of at least a majority of the shares of Sussex common stock outstanding and entitled to vote at the special meeting is required to adopt and approve the merger agreement.

Your vote is important, regardless of the number of shares that you own. **Please complete, sign and return the enclosed proxy card promptly in the enclosed postage-paid envelope or submit a proxy through the Internet or by telephone as described in the instructions contained on the enclosed proxy card.** Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. You may revoke your proxy at any time before the meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions furnished to you by such record holder with these materials. If you do not vote in person or by proxy, the effect will be a vote **AGAINST** adoption and approval of the merger agreement.

**The Sussex board of directors unanimously recommends that you vote FOR adoption and approval of the merger agreement and FOR the adjournment proposal as described above.**

By Order of the Board of Directors,

Linda Kuipers

*Corporate Secretary*

Rockaway, New Jersey

, 2017

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## ADDITIONAL INFORMATION

The accompanying joint proxy statement/prospectus incorporates by reference important business and financial information about Sussex and Community from documents that are not included in or delivered with the joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

| Sussex Bancorp | Community Bank of Bergen County, NJ |
|---|---|
| 100 Enterprise Drive, Suite 700 | 125 W. Pleasant Ave. |
| Rockaway, New Jersey 07866 | Maywood, New Jersey 07607 |
| Attention: Linda Kuipers | Attention: Cecelia McMullen James |
| (844) 256-7328 | (201) 587-1221 |
| *www.sussexbank.com* | *www.cbbcnj.com* |
| *( Investors tab)* | *( Investor Relations link on About Us webpage)* |

**To obtain timely delivery, you must request the information no later than five business days before the applicable shareholder meeting. In the case of Community shareholders, this means that you must make your request no later than , 2017, and in the case of Sussex shareholders, this means that you must make your request no later than , 2017.**

For a more detailed description of the information incorporated by reference into the accompanying joint proxy statement/prospectus and how you may obtain it, see Where You Can Find More Information beginning on page 150.

The accompanying joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the joint proxy statement/prospectus, including any documents incorporated by reference into the joint proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the other meeting matters or the joint proxy statement/prospectus, or need assistance voting your shares, please contact Alliance Advisors, the proxy solicitor for Sussex, if you are a Sussex shareholder, and Laurel Hill Advisory Group, LLC, the proxy solicitor for Community, at the address or telephone number listed below:

Alliance Advisors LLC

200 Broadacres Drive, 3rd floor

Bloomfield, NJ 07003

(833) 501-4841

Laurel Hill Advisory Group, LLC

2 Robbins Lane Suite 201

Jericho, NY 11753

(516) 933-3100

**Please do not send your stock certificates at this time. Community shareholders will be sent separate instructions regarding the surrender of their stock certificates.**

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## QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETINGS

*The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the shareholder meetings. These questions and answers may not address all questions that may be important to you as a shareholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire joint proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference into this joint proxy statement/prospectus.*

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: Sussex and Community have agreed to the acquisition of Community by Sussex under the terms of the merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A. In order to complete the merger, Sussex and Community shareholders must adopt and approve the merger agreement. Sussex will hold a special meeting of shareholders and Community will hold a special meeting of shareholders to obtain this approval. This joint proxy statement/prospectus contains important information about the merger, the merger agreement, the shareholder meetings of Sussex and Community and other related matters, and you should read it carefully. The enclosed voting materials for each shareholder meeting allow you to vote your shares of common stock without attending your company s shareholder meeting in person.

We are delivering this joint proxy statement/prospectus to you as both a joint proxy statement of Sussex and Community and a prospectus of Sussex. It is a joint proxy statement because the boards of directors of both Sussex and Community are soliciting proxies from their respective shareholders. Your proxy will be used at your respective shareholder meeting or at any adjournment or postponement of that shareholder meeting. It is also a prospectus because Sussex will issue Sussex common stock to Community shareholders as consideration in the merger, and this prospectus contains information about that common stock.

**Q: What will happen in the merger?**

A: In the proposed merger, Community will merge with and into Sussex Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of Sussex, with Sussex Bank surviving the merger. Following the date of the merger agreement, Sussex, Sussex Bank and Community will collaborate to designate a new name for the surviving bank, or if after effective time, then the Sussex board shall determine a new name. Until such time, the name of the surviving bank shall remain Sussex Bank. Shares of Sussex will continue to trade on NASDAQ with the NASDAQ trading symbol SBBX .

**Q: What will I receive in the merger?**

A: *Community Shareholders.* If the merger is completed, Community shareholders will be entitled to receive 0.97 shares of Sussex common stock for each outstanding share of Community common stock held at the time of the merger.

The value of the stock consideration is dependent upon the value of Sussex common stock and therefore will fluctuate with the market price of Sussex common stock. Accordingly, any change in the price of Sussex common stock prior to the merger will affect the market value of the stock consideration that Community shareholders will receive as a result of the merger.

*Sussex Shareholders.* Sussex shareholders will continue to hold their existing shares. Following the merger, Sussex common stock will continue to trade on the NASDAQ Global Market under the symbol SBBX .

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**Q: Will I receive any fractional shares of Sussex common stock as part of the merger consideration?**

A: No. Sussex will not issue any fractional shares of Sussex common stock in the merger. Instead, Sussex will pay you the cash value of a fractional share (without interest) in an amount determined by multiplying the fractional share interest to which you would otherwise be entitled by the average of the closing sales prices of one share of Sussex common stock on The NASDAQ Stock Market, or NASDAQ, for the 5 trading days immediately preceding the closing date.

**Q: What will happen to shares of Sussex common stock in the merger?**

A: Sussex shareholders will not receive any merger consideration for their Sussex common stock. Each share of Sussex common stock outstanding will remain outstanding as a share of Sussex common stock. Following the merger, Sussex common stock will continue to trade on the NASDAQ Global Market under the symbol SBBX .

**Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of Community common stock?**

A: The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code. Accordingly, Community shareholders generally will not recognize any gain or loss on the conversion of shares of Community common stock solely into shares of Sussex common stock. However, a Community shareholder generally will be subject to tax on cash received in lieu of any fractional share of Sussex common stock that a Community shareholder would otherwise be entitled to receive. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 112.

**Q: Will I be able to trade the shares of Sussex common stock that I receive in the merger?**

A: You may freely trade the shares of Sussex common stock issued in the merger, unless you are an affiliate of Sussex as defined by Rule 144 under the Securities Act of 1933, as amended. Affiliates consist of individuals or entities that control, are controlled by or are under the common control with Sussex, and include the executive officers and directors of Sussex after the merger and may include significant shareholders of Sussex.

**Q: What are the conditions to completion of the merger?**

A: The obligations of Sussex and Community to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including the receipt of required regulatory approvals and tax opinions, and the adoption and approval of the merger agreement by the shareholders of both Sussex and Community.

**Q: When do you expect the merger to be completed?**

A: We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining required regulatory approvals and the adoption and approval of the merger agreement by Sussex and Community shareholders at their respective shareholder meetings. While we expect the merger to be completed in the third quarter of 2017, because fulfillment of some of the conditions to completion of the merger is not entirely within our control, we cannot assure you of the actual timing.

**Q: What shareholder approvals are required to complete the merger?**

A: The merger cannot be completed unless the holders of at a majority of the shares of Sussex common stock outstanding and entitled to vote and the holders of at two-thirds of the shares of Community common stock

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outstanding and entitled to vote at each company s shareholder meeting vote to adopt and approve the merger agreement.

**Q: Are there any shareholders already committed to voting in favor of the merger agreement?**

A: Yes. Each of the directors and executive officers of Community have entered into a voting agreement with Sussex requiring each of them to vote all shares of Community common stock owned by such person in favor of approval of the merger agreement. As of the record date, these directors and executive officers held shares of Community common stock, which represented approximately % of the outstanding shares of Community common stock.

**Q: When and where are the shareholder meetings?**

A: The special meeting of shareholders of Community will be held at the on , at , local time. The special meeting of shareholders of Sussex will be held at the on , at , local time.

**Q: What will happen at the shareholder meetings?**

A: At the shareholder meetings, Sussex and Community shareholders will consider and vote on the proposal to adopt and approve the merger agreement. If, at the time of the Sussex and Community shareholder meeting, there are insufficient votes for the shareholders to adopt and approve the merger agreement, you may be asked to consider and vote on a proposal to adjourn such shareholder meeting, so that additional proxies may be collected.

**Q: Who is entitled to vote at the Community shareholder meeting?**

A: All holders of Community common stock who held shares at the close of business on , 2017, which is the record date for the special meeting of Community shareholders, are entitled to receive notice of and to vote at the Community special meeting. Each holder of Community common stock is entitled to one vote for each share of Community common stock owned as of the record date.

**Q: Who is entitled to vote at the Sussex shareholder meeting?**

*A:* All holders of Sussex common stock who held shares at the close of business on , 2017, which is the record date for the special meeting of Sussex shareholders, are entitled to receive notice of and to vote at the Sussex special meeting. Each holder of Sussex common stock is entitled to one vote for each share of Sussex common stock owned as of the record date.

**Q: What constitutes a quorum for a shareholder meeting?**

A: The quorum requirement for each company s shareholder meeting is the presence in person or by proxy of a majority of the total number of outstanding shares of common stock entitled to vote.

**Q: How do the boards of directors of Sussex and Community recommend I vote?**

A: After careful consideration, each of the Sussex and Community boards of directors unanimously recommends that all of their respective shareholders vote **FOR** adoption and approval of the merger agreement, and **FOR** the adjournment proposal, if necessary.

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**Q: Are there any risks that I should consider in deciding whether to vote for adoption and approval of the merger agreement?**

A: Yes. You should read and carefully consider the risk factors set forth in the section in this joint proxy statement/prospectus entitled Risk Factors, beginning on page 30, as well as the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed in the section of this joint proxy statement/prospectus entitled Information Regarding Forward-Looking Statements on page 35.

**Q: What do I need to do now?**

A: You should carefully read and consider the information contained in or incorporated by reference into this joint proxy statement/prospectus, including its annexes. It contains important information about the merger, the merger agreement, Sussex and Community. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid envelope or submit a proxy through the Internet or by telephone as soon as possible so that your shares will be represented and voted at your company s shareholder meeting.

**Q: How may I vote my shares for the shareholder meeting proposals presented in this joint proxy statement/prospectus?**

A: You may vote by accessing the Internet website or calling the telephone number specified on the proxy card or by completing, signing, dating and returning the proxy card in the enclosed postage-paid envelope as soon as possible. This will enable your shares to be represented and voted at your company s shareholder meeting. If you attend the meeting, you may deliver your completed proxy card in person or may vote by completing a ballot that will be available at the meeting. If your shares are registered in street name in the name of a broker or other nominee and you wish to vote at the meeting, you will need to obtain a legal proxy from your bank or brokerage firm. Please consult the voting form sent to you by your bank or broker to determine how to obtain a legal proxy in order to vote in person at the meeting.

**Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?**

A: No. Your broker, bank or other nominee ***will not*** vote your shares unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this joint proxy statement/prospectus.

**Q: How will my shares be represented at the shareholder meeting?**

A: At the shareholder meetings for each of Sussex and Community, the individuals named in your proxy card will vote your shares in the manner you requested if you properly signed and submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted: (1) **FOR** the adoption and approval of the merger agreement; and (2) **FOR** the approval of the adjournment of the shareholder meeting, if necessary, to solicit additional proxies if there are insufficient votes to adopt and approve the merger agreement at the time of the shareholder meeting.

**Q: What if I fail to submit my proxy card or to instruct my broker, bank or other nominee?**

A: If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of Sussex and Community common stock, and you do not attend your company s shareholder meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote **AGAINST** adoption and approval of the merger agreement, but will have no impact on the outcome of the other proposal.

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**Q: Can I attend the shareholder meeting and vote my shares in person?**

A: Yes. Although the Sussex and Community boards of directors request that you return the proxy card accompanying this joint proxy statement/prospectus, all shareholders are invited to attend their company s shareholder meeting. Shareholders of record on , 2017 can vote in person at the Community special meeting, and shareholders of record on , 2017 can vote in person at the Sussex special meeting. If your shares are held by a broker, bank or other nominee, then you are not the shareholder of record and you must bring to the shareholder meeting appropriate documentation from your broker, bank or other nominee to enable you to vote at the shareholder meeting.

**Q: Can I change my vote after I have submitted my proxy?**

A: Yes. If you do not hold your shares in street name, there are three ways you can change your vote at any time after you have submitted your proxy and before your proxy is voted at the shareholder meeting:

- you may deliver a written notice bearing a date later than the date of your proxy card to the company s Secretary at the address listed below, stating that you revoke your proxy;
- you may submit a new signed proxy card bearing a later date or vote again by telephone or Internet (any earlier proxies will be revoked automatically); or
- you may attend the shareholder meeting and vote in person, although attendance at the shareholder meeting will not, by itself, revoke a proxy.

You should send any notice of revocation to the appropriate company at:

| | |
|---|---|
| Sussex Bancorp | Community Bank of Bergen County, NJ |
| 100 Enterprise Drive, Suite 700 | 125 W. Pleasant Ave. |
| Rockaway, New Jersey 07866 | Maywood, New Jersey 07607 |
| Attention: Linda Kuipers, Corporate Secretary | Attention: Cecelia McMullen James, Corporate Secretary |

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your voting instructions.

**Q: What if I hold stock of both Sussex and Community?**

A: If you hold shares of both Sussex and Community, you will receive two separate packages of proxy materials. A vote as a Community shareholder for the merger proposal or any other proposals to be considered at the Community special meeting will not constitute a vote as a Sussex shareholder for the merger proposal or any other proposals to be considered at the Sussex special meeting, and vice versa. Therefore, please sign, date and return all proxy cards that you receive (or vote via the Internet or by telephone), whether from Sussex or Community.

**Q: What happens if I sell my shares after the record date but before the shareholder meeting?**

A: The record dates of the shareholder meetings are earlier than the dates of the shareholder meetings and the date that the merger is expected to be completed. If you sell or otherwise transfer your shares after the record date for the shareholder meeting of the company in which you own such shares, but before the date of such company s shareholder meeting, you will retain your right to vote at such company s shareholder meeting, but if you are a Community shareholder, you will not have the right to receive the merger consideration to be received by Community shareholders in the merger. In order to receive the merger consideration, a Community shareholder must hold his or her shares through completion of the merger.

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**Q: What do I do if I receive more than one joint proxy statement/prospectus or set of voting instructions?**

A: If you hold shares directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one joint proxy statement/prospectus and/or set of voting instructions relating to the shareholder meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

**Q: Are Community shareholders entitled to seek appraisal or dissenters rights if they do not vote in favor of the approval of the merger agreement?**

A: Yes. Community shareholders will have the right to dissent from the merger if they properly follow the requirements of applicable New Jersey law.

**Q: Should Community shareholders send in their stock certificates now?**

A: No. After the effective time of the merger, Community shareholders will receive a letter of transmittal and instructions for surrendering their stock certificates. In the meantime, you should retain your stock certificates because they are still valid. Please do not send in your stock certificates with your proxy card.

**Q: Will a proxy solicitor be used?**

A: Yes. Sussex has engaged Alliance Advisors to assist in the solicitation of proxies for its shareholder meeting. Sussex will pay a fee of approximately $6,000, plus reasonable out-of-pocket expenses to Alliance Advisors. Community has engaged Laurel Hill Advisory Group, LLC to assist in the solicitation of proxies for its shareholder meeting. Community will pay a fee of approximately $5,500, plus reasonable out-of-pocket expenses to Laurel Hill Advisory Group, LLC. Each of Sussex and Community will bear the cost of preparing, assembling, printing and mailing these proxy materials for their respective meeting. The solicitation of proxies or votes for the meetings may also be made in person, by telephone, or by electronic communication by each of Sussex and Community s directors, officers, and employees, none of whom will receive any additional compensation for such solicitation activities. In addition, each of Sussex and Community may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners.

**Q: Where can I find more information about the companies?**

A: You can find more information about Sussex and Community from the various sources described under Where You Can Find More Information beginning on page 150.

**Q: Whom should I call with questions?**

A: If you have any questions concerning the merger, the other meeting matters or the joint proxy statement/prospectus, or need assistance voting your shares, please contact Alliance Advisors, proxy solicitor for Sussex, if you are a Sussex shareholder, or Laurel Hill Advisory Group, LLC, proxy solicitor for Community, at the address or telephone number listed below:

Alliance Advisors LLC

200 Broadacres Drive, 3rd floor

Bloomfield, NJ 07003

(833) 501-4841

Laurel Hill Advisory Group, LLC

2 Robbins Lane Suite 201

Jericho, NY 11753

(516) 933-3100

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## SUMMARY

*This summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which this joint proxy statement/prospectus refers in order to fully understand the merger and the related transactions. See Where You Can Find More Information beginning on Page 150. Each item in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail.*

**The Companies** (Page 37)

***Sussex Bancorp***

Sussex is a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act ) and was incorporated under the laws of the State of New Jersey in January 1996. The Company is the parent company of Sussex Bank. The only significant asset of Sussex Bancorp is its investment in Sussex Bank, which is a commercial bank formed under the laws of the State of New Jersey in 1975 and is regulated by the New Jersey Department of Banking and Insurance (the Department ) and the Federal Deposit Insurance Corporation (the FDIC ).

Sussex Bank s wholly owned subsidiaries are SCB Investment Company, Inc., SCBNY Company, Inc., ClassicLake Enterprises, LLC, PPD Holding Company, LLC and Tri-State Insurance Agency, Inc. ( Tri-State ). SCB Investment Company, Inc. and SCBNY Company, Inc. hold portions of Sussex Bank s investment portfolio. ClassicLake Enterprises, LLC and PPD Holding Company, LLC hold certain foreclosed properties. Tri-State provides insurance agency services mostly through the sale of property and casualty insurance policies.

Sussex Bank s service area primarily consists of Sussex, Morris and Bergen Counties in New Jersey and Queens County, New York; although we make loans throughout New Jersey and the New York metropolitan markets. Sussex Bank operates from its corporate office in Rockaway, New Jersey, its eleven branch offices located in Andover, Augusta, Franklin, Hackettstown, Montague, Newton, Oradell, Sparta, Vernon, and Wantage, New Jersey, and in Astoria, New York, its regional office and corporate center in Wantage, New Jersey and its insurance agency offices in Augusta and Oradell, New Jersey. On December 18, 2013, Sussex Bank permanently closed the Warwick, New York branch location, and during the first and third quarters of 2014, Sussex Bank opened a corporate office and a regional office and corporate center in Rockaway and Wantage, New Jersey, respectively. Sussex Bank opened a new branch location in Astoria, New York during the first quarter of 2015. On March 5, 2016, Sussex Bank opened a new branch location which includes a regional lending office in Oradell, New Jersey in Bergen County. On April 1, 2016, Sussex Bank permanently closed our regional lending and insurance agency offices in Rochelle Park, New Jersey, and transferred such lending and insurance activities to the Oradell branch. On April 29, 2016, we permanently closed the Port Jervis, New York branch location. In addition, Sussex Bank provides online banking services through its website located at www.sussexbank.com.

At March 31, 2017, Sussex had $872.3 million in assets, $696.6 million in deposits and $62.4 million of shareholders equity.

Sussex s principal executive offices are located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866, its phone number is (844) 256-7328 and its website is www.sussexbank.com. Information that is included in this website does not constitute part of this joint proxy statement/prospectus.

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*Recent Stock Offering*

On June 21, 2017, Sussex completed an underwritten public offering of 1,249,999 shares of its common stock at a public offering price of $24.00 per share. The net proceeds to Sussex after underwriting discounts and commissions and estimated offering expenses was approximately $28.0 million.

***Community Bank of Bergen County, NJ***

Community is a New Jersey commercial banking institution originally founded in 1928. Community s headquarters is located in Rochelle Park, New Jersey. It has three branch offices located throughout Bergen County, New Jersey. The main office is located at 125 West Pleasant Avenue in Maywood, New Jersey and the other two branch offices are located in Fair Lawn, and Rochelle Park, New Jersey. Community is regulated by both the New Jersey Department of Banking and Insurance and the Federal Reserve, and its deposits are insured by the FDIC.

Community s wholly owned subsidiaries are Community Investment Company and GFR Maywood LLC. Community Investment Company holds a portion of Community s investment portfolio. GFR Maywood holds certain foreclosed properties.

Community provides a full range of banking services to individual and corporate customers in northern New Jersey through its three branches. Community also offers the convenience of online banking and 24 hour ATMs to their customers.

At March 31, 2017, Community had $355.7 million in assets, $318.1 million in deposits and $29.5 million of shareholders equity.

Community focuses on making residential mortgage loans, consumer loans and commercial loans (including construction lending). Community markets and delivers its products and services primarily through its branch network.

Community s phone number is (201) 587-1221 and its website is www.cbbcnj.com. Information that is included in this website does not constitute part of this joint proxy statement/prospectus. Community common stock is quoted on the OTC under the symbol CMTB .

**The Special Meeting of Shareholders of Community**

***Date, Time and Place of the Special Meeting*** (Page 71)

Community will hold its special meeting of shareholders at the on , at , local time.

***Purpose of the Special Meeting*** (Page 71)

At the special meeting, you will be asked to vote on proposals to:

1. approve the merger agreement; and

2. approve one or more adjournments of the special meeting, if necessary.

***Recommendation of Community Board of Directors*** (Page 71)

The Community board of directors unanimously recommends that you vote **FOR** approval of the merger agreement, and **FOR** approval of the proposal to adjourn the special meeting.

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***Record Date; Outstanding Shares; Shares Entitled to Vote*** (Page 71)

Only holders of record of Community common stock at the close of business on the record date of , 2017 are entitled to notice of and to vote at the special meeting. As of the record date, there were shares of Community common stock outstanding, held of record by approximately shareholders.

***Quorum; Vote Required*** (Page 71)

A quorum of Community shareholders is necessary to hold a valid meeting. If the holders of at least majority of the total number of outstanding shares of Community common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Community will include proxies marked as abstentions and broker non-votes in determining the presence of a quorum at the special meeting.

The affirmative vote of holders of at least two-thirds of the shares of Community common stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement. The affirmative vote of holders of at least a majority of votes cast at the special meeting is required to approve the proposal to adjourn the special meeting.

***Share Ownership of Management; Voting Agreements*** (Page 72)

As of the record date, the directors and executive officers of Community and their affiliates collectively owned shares of Community common stock, or approximately % of Community s outstanding shares.

Each of the directors and executive officers of Community has entered into a voting agreement with Sussex, requiring each of them to vote all shares of Community common stock beneficially owned by such person in favor of approval of the merger agreement. As of the record date, these directors and executive officers held shares of Community common stock, which represented approximately % of the outstanding shares of Community common stock.

**The Special Meeting of Shareholders of Sussex**

***Date, Time and Place of the Special Meeting*** (Page 76)

Sussex will hold its special meeting of shareholders at , on , at , local time.

***Purpose of the Special Meeting*** (Page 76)

At the special meeting, you will be asked to vote on proposals to:

1. adopt and approve the merger agreement; and

2. approve one or more adjournments of the special meeting, if necessary.

***Recommendation of Sussex Board of Directors*** (Page 76)

The Sussex board of directors unanimously recommends that you vote **FOR** adoption and approval of the merger agreement, and **FOR** approval of the proposal to adjourn the special meeting.

***Record Date; Outstanding Shares; Shares Entitled to Vote*** (Page 76)

Only holders of record of Sussex common stock at the close of business on the record date of , 2017 are entitled to notice of and to vote at the special meeting. As of the record date, there were shares of Sussex common stock outstanding, held of record by approximately shareholders.

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***Quorum; Vote Required*** (Page 76)

A quorum of Sussex shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of outstanding shares of Sussex common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Sussex will include proxies marked as abstentions and broker non-votes in determining the presence of a quorum at the special meeting.

The affirmative vote of holders of at least a majority of the votes cast at a meeting of shareholders by holders of shares of Sussex common stock entitled to vote at the special meeting is required to adopt and approve the merger agreement. At least a majority of votes cast at the special meeting by the holders of shares present in person or represented by proxy and entitled to vote is required to approve the proposal to adjourn the special meeting.

***Share Ownership of Management*** (Page 77)

As of the record date, the directors and executive officers of Sussex and their affiliates collectively owned shares of Sussex common stock, or approximately % of Sussex s outstanding shares.

**The Merger and the Merger Agreement**

*The proposed merger is of Community with and into Sussex Bank, with Sussex Bank as the surviving bank in the merger. The merger agreement is attached to this joint proxy statement/prospectus as Annex A. Please carefully read the merger agreement as it is the legal document that governs the merger.*

***Structure of the Merger*** (Page 119)

In the proposed merger, Community will merge with and into Sussex Bank, a New Jersey-chartered commercial bank and wholly owned subsidiary of Sussex, with Sussex Bank surviving the merger. Shares of Sussex will continue to trade on NASDAQ with the NASDAQ trading symbol SBBX . Upon completion of the merger, the separate existence of Community will terminate.

***Consideration to be Received in the Merger*** (Page 120)

Upon completion of the merger, each outstanding share of Community common stock will be converted into the right to receive 0.97 shares of Sussex common stock. No fractional shares of Sussex common stock will be issued to any holder of Community common stock upon completion of the merger. For each fractional share that would otherwise be issued, Sussex will pay each shareholder cash (without interest) in an amount determined by multiplying the fractional share interest to which such shareholder would otherwise be entitled by the average of the closing sales prices of one share of Sussex common stock on NASDAQ for the 5 trading days immediately preceding the effective time.

***Treatment of Community s 2002 Stock Option Plan*** (Page 120)

Under the terms of the merger agreement, each option to purchase shares of Community common stock issued by Community and outstanding at the effective time of the merger pursuant to the Community 2002 Stock Option Plan shall be cancelled. In exchange for the cancellation of each option, the holder of such option shall be paid in cash an amount equal to the product of (x) the number of shares of Community common stock subject to such option at the effective time multiplied by (y) $24.30 less the exercise price per share of such option, less any required tax withholdings. In the event that the exercise price of an option is greater than the cash payment to be made pursuant to the foregoing formula, then Community shall take such actions as may be reasonably necessary or appropriate to cause, at the effective time, such option to be canceled without any payment made in exchange therefor, including providing 30 days notice of such cancellation and right to exercise prior to the effective time.

***Opinion of FinPro Capital Advisors, Inc., Financial Advisor to Community*** (Page 86)

On April 10, 2017, FinPro Capital Advisors, Inc., or FinPro, rendered to the Community board of directors its oral opinion, subsequently confirmed in writing that, as of such date, the exchange ratio in the merger was fair to Community shareholders from a financial point of view. The full text of FinPro s written opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Annex B. Community shareholders are urged to read the opinion in its entirety. **FinPro s opinion speaks only as of the date of the opinion. The opinion is directed to the Community board of directors and is limited to the fairness, from a financial point of view, to the shareholders of Community with regard to the exchange ratio employed in the merger. FinPro does not express an opinion as to the underlying decision by Community to engage in the merger or the relative merits of the merger compared to other strategic alternatives that may be available to Community. FinPro s opinion is not a recommendation to any Community shareholder as to how such shareholder should vote at Community s special meeting with respect to the merger agreement or any other matter.**

***Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Sussex*** (Page 100)

In connection with the merger, Sussex s financial advisor, Keefe, Bruyette & Woods, Inc., or KBW, delivered a written opinion, dated April 5, 2017, to the Sussex board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to Sussex of the exchange ratio in the proposed merger. The full text of KBW s opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in preparing the opinion, is attached as Annex C to this document. **The opinion was for the information of, and was directed to, the Sussex board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. The opinion did not address the underlying business decision of Sussex to engage in the merger or enter into the merger agreement or constitute a recommendation to the Sussex board of directors in connection with the merger, and it does not constitute a recommendation to any holder of Sussex common stock or any stockholder of any other entity as to how to vote in connection with the merger or any other matter.**

***Interests of Community s Directors and Executive Officers in the Merger*** (Page 95)

In considering the information contained in this joint proxy statement/prospectus, you should be aware that Community s directors and certain executive officers have financial interests in the merger that are different from, or in addition to, the interests of Community shareholders generally. These interests include, among other things:

- the right to receive cash payments in exchange for cancellation of outstanding stock options;
- the right of certain executive officers to receive cash payments in exchange for the termination of their existing employment agreements;
- the right of certain other executive officers to receive cash severance and continued employee benefits under certain circumstances;

the right to accelerated vesting and distribution of supplemental retirement plan account balances upon consummation of the merger;

the right to continued indemnification and liability insurance coverage by Sussex after the merger for acts or omissions occurring before the merger; and

the right to three seats on Sussex s board of directors, and any related compensation for such services.

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Also, Sussex and Sussex Bank entered into an employment agreement with Peter A. Michelotti regarding his continuing roles with Sussex and Sussex Bank following the merger. See the section of this joint proxy statement/prospectus entitled The Merger Interests of Community s Directors and Executive Officers in the Merger beginning on page 95 for a discussion of these financial interests.

***Sussex and Sussex Bank s Boards of Directors After the Merger*** (Page 112)

Immediately following the effective time of the merger, Sussex will expand the size of its board of directors by three seats and designate Peter A. Michelotti, the current President and Chief Executive Officer of Community, and two other members of the Community board, to be selected by Sussex upon consultation with Community, to serve as members of Sussex s board of directors. Each of the designees must meet the qualifications for directors as set forth in Sussex s bylaws. The designees will serve on the Sussex board until the next annual meeting, at which time they will each be nominated for a three-year term. The designees will also be appointed to the board of directors of Sussex Bank, effective immediately following the effective time of the merger.

***No Solicitation of Alternative Transactions*** (Page 126)

The merger agreement restricts Community s ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in Community. However, if Community receives a bona fide unsolicited written acquisition proposal from a third party that its board of directors believes in good faith is or is reasonably likely to lead to a proposal (a) on terms which the Community board determines in good faith, after consultation with its financial advisor, to be more favorable from a financial point of view to Community s shareholders than the transactions contemplated by the merger agreement, and (b) that constitutes a transaction that, in the Community board s good faith judgment, is reasonably likely to be consummated on the terms set forth, taking into account all legal, financial, regulatory and other aspects of such proposal , Community may furnish non-public information to that third party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions in the merger agreement, if its board determines in good faith, after consultation with its outside legal counsel, that such action would be required in order for directors of Community to comply with their fiduciary duties under applicable law.

***Conditions to Completion of the Merger*** (Page 129)

As more fully described in this joint proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of conditions being satisfied or waived, including:

- shareholders of Sussex and Community having approved the merger agreement;
- Sussex and Community having obtained all regulatory approvals required to consummate the transactions contemplated by the merger agreement and all related statutory waiting periods having expired;
- the absence of any judgment, order, injunction or decree, or any statute, rule or regulation enacted, entered, promulgated or enforced, preventing, prohibiting or making illegal the consummation of any of the transactions contemplated by the merger agreement;

Sussex and Community having each received a legal opinion from their respective counsel regarding treatment of the merger as a reorganization for federal income tax purposes;

the representations and warranties of each of Sussex and Community in the merger agreement being accurate, subject to exceptions that would not have a material adverse effect;

Sussex and Community having each performed in all material respects all obligations required to be performed by it; and the shares of Sussex common stock to be issued in the merger having been approved for listing on the NASDAQ stock market.

***Termination of the Merger Agreement*** (Page 131)

Sussex and Community can mutually agree to terminate the merger agreement before the merger has been completed, and either company can terminate the merger agreement if:

- if the boards of directors of Sussex and Community so determines by vote of a majority of the members of their respective boards;
- any regulatory approval required for consummation of the merger and the other transactions contemplated by the merger agreement has been denied by final, nonappealable action of any regulatory authority, or an application for regulatory approval has been permanently withdrawn at the request of a governmental authority;
- the required approval of the merger agreement by the Sussex or Community shareholders is not obtained;
- the other party materially breaches any of its representations, warranties, covenants or other agreements set forth in the merger agreement (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement), which breach is not cured within 30 days of written notice of the breach, or by its nature cannot be cured prior to the closing of the merger, and such breach would entitle the non-breaching party not to consummate the merger; or
- the merger is not consummated by December 31, 2017, unless the failure to consummate the merger by such date is due to a material breach of the merger agreement by the terminating party.

In addition, Sussex may terminate the merger agreement if:

- Community materially breaches the non-solicitation provisions in the merger agreement;
- the Community board of directors:
  - fails to recommend approval of the merger agreement, or withdraws, modifies or changes such recommendation in a manner adverse to Sussex s interests; or
  - recommends, proposes or publicly announces its intention to recommend or propose to engage in an acquisition transaction with any person other than Sussex or any of its subsidiaries; or

Community fails to call, give notice of, convene and hold its special meeting.

In addition, Community may terminate the merger agreement if:

- it decides to accept a superior proposal in accordance with the merger agreement;
- Sussex fails to call, give notice of, convene and hold its special meeting; or
- the price of Sussex common stock decreases by a certain percentage and also decreases by a certain percentage relative to the NASDAQ Bank Index; provided, however, that Sussex will have the option to increase the amount of Sussex common stock to be provided to Community shareholders to a certain level, in which case no termination will occur.

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***Termination Fee*** (Page 133)

Community has agreed to pay Sussex a termination fee of $1,816,000 if:

- Sussex terminates the merger agreement as a result of:
  - Community materially breaches the non-solicitation provisions in the merger agreement;
  - the Community board of directors:
    - fails to recommend approval of the merger agreement, or withdraws, modifies or changes such recommendation in a manner adverse to Sussex s interests; or
    - recommends, proposes or publicly announces its intention to recommend or propose to engage in an acquisition transaction with any person other than Sussex or any of its subsidiaries; or
- Community terminates the merger agreement as a result of its board of directors deciding to accept a superior proposal; or
- Community enters into a definitive agreement relating to an acquisition proposal or consummates an acquisition proposal within 12 months following the termination of the merger agreement by Sussex as a result of a willful breach of any representation, warranty, covenant or other agreement by Community after an acquisition proposal has been publicly announced or otherwise made known to Community.

***Waiver or Amendment of Merger Agreement Provisions*** (Page 133)

Prior to the effective time of the merger, any provision of the merger agreement may be waived by the party benefited by the provision, or amended or modified by a written agreement between Sussex and Community. However, after the Community special meeting and the Sussex special meeting, no amendment will be made which by law requires further approval by the shareholders of Community or Sussex, respectively, without obtaining such approval.

***Material U.S. Federal Income Tax Consequences of the Merger*** (Page 112)

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, Community shareholders generally will not recognize any gain or loss on the conversion of shares of Community common stock solely into shares of Sussex common stock. However, a Community shareholder generally will be subject to tax on cash received in lieu of any fractional share of Sussex common stock that a Community shareholder would otherwise be entitled to receive.

***Regulatory Approvals Required for the Merger*** (Page 114)

To complete the merger, various approvals or consents must be obtained from state and federal governmental authorities, including the Board of Governors of the Federal Reserve System, or the FRB, the New Jersey Department of Banking and Insurance, and the Federal Deposit Insurance Corporation, or the FDIC. The U.S. Department of Justice is able to provide input into the approval process of federal banking agencies to challenge the merger on antitrust grounds. Sussex and Community have filed or will file all required applications, notices and waiver requests to obtain the regulatory approvals and non-objections necessary to consummate the merger. Sussex and Community cannot predict whether the required regulatory approvals will be obtained, when they will be received or whether such approvals will be subject to any conditions.

***Accounting Treatment of the Merger*** (Page 116)

The merger will be accounted for using the acquisition method of accounting with Sussex treated as the acquirer. Under this method of accounting, Community s assets and liabilities will be recorded by Sussex at their

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respective fair values as of the closing date of the merger and added to those of Sussex. Any excess of purchase price over the net fair values of Community s assets and liabilities will be recorded as goodwill. Any excess of the fair value of Community s net assets over the purchase price will be recognized in earnings by Sussex on the closing date of the merger.

***Dissenters Rights*** (Page 116)

Community shareholders will have the right to dissent from the merger if they properly follow the requirements of applicable New Jersey law.

***Name Change of Combined Bank*** (Page 118)

Following the date of the merger agreement, Sussex, Sussex Bank and Community will collaborate to designate a new name for the surviving bank, or if after effective time, then the Sussex board shall determine a new name. Until such time, the name of the surviving bank shall remain Sussex Bank.

***Listing of Sussex Common Stock to be Issued in the Merger*** (Page 118)

Sussex common stock is listed on the NASDAQ Global Market under the trading symbol SBBX . Following the merger, the shares of Sussex common stock will continue to trade on the NASDAQ Global Market under the symbol SBBX .

***Differences Between Rights of Sussex and Community Shareholders*** (Page 134)

As a result of the merger, holders of Community common stock will become holders of Sussex common stock. Following the merger, Community shareholders will have different rights as shareholders of Sussex due to the different provisions of the governing documents of Sussex and Community. For additional information regarding the different rights as shareholders of Sussex than as shareholders of Community, see Comparison of Shareholder Rights beginning on page 134.

***Risk Factors*** (Page 30)

**You should consider all the information contained in or incorporated by reference into this joint proxy statement/prospectus in deciding how to vote for the proposals presented in the joint proxy statement/prospectus. In particular, you should consider the factors described under Risk Factors.**

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## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF SUSSEX BANCORP

The following tables set forth selected historical financial and other data of Sussex for the periods and at the dates indicated. The financial data as of and for the years ended December 31, 2016 and 2015 has been derived from the audited consolidated financial statements and notes thereto of Sussex incorporated by reference elsewhere in this joint proxy statement / prospectus. The information as of and for the years ended December 31, 2014, 2013 and 2012 is derived from Sussex s audited consolidated financial statements which are not included in this joint prospectus/joint proxy statement. The financial data as of and for the three months ended March 31, 2017 and 2016 has been derived from Sussex s unaudited consolidated financial statements. In the opinion of management of Sussex, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods, have been made. The selected operating data presented below for the three months ended March 31, 2017 and 2016 is not necessarily indicative of the results that may be expected for future periods.

| | **As of and for the three months ended March 31,** | | **As of and for the Year Ended December 31** | | | | |
|---|---|---|---|---|---|---|---|
| *ollars in thousands, except per share data)* | **2017** | **2016** | **2016** | **2015** | **2014** | **2013** | **2012** |
| | (unaudited) | | | | | | |
| UMMARY OF INCOME: | | | | | | | |
| terest income | $ 8,268 | $ 6,726 | $ 29,160 | $ 23,644 | $ 21,300 | $ 19,642 | $ 19,96 |
| terest expense | 1,519 | 1,080 | 4,762 | 3,568 | 3,294 | 3,201 | 3,80 |
| et interest income | 6,749 | 5,646 | 24,398 | 20,076 | 18,006 | 16,441 | 16,16 |
| ovision for loan losses | 407 | 211 | 1,291 | 636 | 1,537 | 2,745 | 4,33 |
| oninterest income excluding gains on vestment securities | 2,370 | 2,357 | 7,385 | 6,182 | 5,672 | 5,700 | 5,20 |
| ains on sales of investment securities | 107 | 167 | 444 | 271 | 289 | 393 | 1,79 |
| oninterest expenses | 5,977 | 5,610 | 22,585 | 20,553 | 18,829 | 18,228 | 18,43 |
| come before income tax expense | 2,842 | 2,349 | 8,351 | 5,340 | 3,601 | 1,561 | 40 |
| come tax provision | 831 | 775 | 2,828 | 1,640 | 1,001 | 133 | (32 |
| et income available to common areholders | $ 2,011 | $ 1,574 | $ 5,523 | $ 3,700 | $ 2,600 | $ 1,428 | $ 73 |
| ER SHARE DATA: WEIGHTED VERAGE NUMBER OF SHARES: (1) | | | | | | | |
| asic | 4,685,553 | 4,578,598 | 4,619,124 | 4,559,316 | 4,541,305 | 3,781,562 | 3,261,80 |
| luted | 4,727,333 | 4,606,426 | 4,651,108 | 4,591,822 | 4,580,350 | 3,816,904 | 3,287,01 |
| asic earnings per share | $ 0.43 | $ 0.34 | $ 1.20 | $ 0.81 | $ 0.57 | $ 0.38 | $ 0.2 |
| luted earnings per share | 0.43 | 0.34 | 1.19 | 0.81 | 0.57 | 0.37 | 0.2 |
| ash dividends (2) | 0.04 | 0.04 | 0.16 | 0.16 | 0.09 | | |
| ook value per common share | 13.04 | 11.91 | 12.67 | 11.61 | 10.99 | 10.03 | 11.8 |
| angible book value per share (3) | 12.46 | 11.31 | 12.08 | 11.00 | 10.38 | 9.42 | 11.0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ALANCE SHEET: | | | | | | | |
| vestment securities available for sale | $ 99,797 | $ 86,523 | $ 88,611 | $ 93,776 | $ 77,976 | $ 90,676 | $ 118,88 |
| vestment securities held to maturity | 8,630 | 6,816 | 11,618 | 6,834 | 6,006 | 6,074 | 5,22 |
| oans, net | 712,003 | 574,239 | 688,561 | 537,833 | 466,332 | 386,981 | 342,76 |
| oodwill and intangible assets | 2,820 | 2,820 | 2,820 | 2,820 | 2,820 | 2,820 | 2,82 |
| otal assets | 872,282 | 716,772 | 848,728 | 684,503 | 595,915 | 533,911 | 514,73 |
| otal deposits | 696,576 | 575,300 | 660,921 | 517,856 | 458,270 | 430,297 | 432,43 |
| erm borrowings | 80,800 | 67,430 | 95,805 | 95,650 | 69,500 | 41,000 | 26,00 |

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| s in thousands, except per share data) | As of and for the three months ended March 31, 2017 | 2016 | As of and for the Year Ended December 31 2016 | 2015 | 2014 | 2013 | 201 |
|---|---|---|---|---|---|---|---|
| | (unaudited) | | | | | | |
| tockholders equity | 62,422 | 55,682 | 60,072 | 53,941 | 51,229 | 46,425 | 40 |
| e assets | 859,351 | 701,665 | 770,470 | 627,298 | 559,885 | 529,152 | 510 |
| e stockholders equity | 61,556 | 55,314 | 57,518 | 52,715 | 49,494 | 42,382 | 40 |
| ORMANCE RATIOS: | | | | | | | |
| on average assets | 0.94% | 0.90% | 0.72% | 0.59% | 0.46% | 0.27% | |
| on average stockholders equity | 13.07% | 11.38% | 9.60% | 7.02% | 5.25% | 3.37% | |
| e equity/average assets | 7.16% | 7.88% | 7.47% | 8.40% | 8.84% | 8.01% | |
| ncy ratio (4) | 64.78% | 68.67% | 70.08% | 77.47% | 78.56% | 80.89% | 7 |
| erest margin, tax equivalent basis (5) | 3.39% | 3.46% | 3.37% | 3.45% | 3.49% | 3.41% | |
| o Deposits | 102.21% | 99.82% | 104.18% | 103.86% | 101.76% | 89.93% | 7 |
| AL RATIOS: (6) | | | | | | | |
| on Equity to Asset ratio | 7.16% | 7.77% | 7.08% | 7.88% | 8.60% | 8.70% | |
| apital to average assets | 10.41% | 9.18% | 10.41% | 9.45% | 10.19% | 10.38% | |
| apital to total risk-weighted assets | 12.93% | 11.29% | 12.87% | 11.74% | 12.79% | 14.21% | 1 |
| apital to total risk-weighted assets | 13.91% | 12.31% | 13.86% | 12.79% | 14.02% | 15.47% | 1 |
| on equity Tier 1 capital to total ighted assets | 12.93% | 11.29% | 12.87% | 11.74% | N/A | N/A | |
| ULATION OF TANGIBLE BOOK OMMON SHARE: (3) | | | | | | | |
| ommon stockholders equity at end of GAAP | $ 62,422 | $ 55,682 | $ 60,072 | $ 53,941 | $ 51,229 | $ 46,425 | $ 40 |
| | | | | | | | |
| ill and intangible assets | (2,820) | (2,820) | (2,820) | (2,820) | (2,820) | (2,820) | (2 |
| angible common stockholders equity at period Non-GAAP | $ 59,602 | $ 52,862 | $ 57,252 | $ 51,121 | $ 48,409 | $ 43,605 | $ 37 |
| outstanding at end of period | 4,785,159 | 4,675,976 | 4,741,068 | 4,646,238 | 4,662,606 | 4,629,113 | 3,397 |
| alue per share GAAP | $ 13.04 | $ 11.91 | $ 12.67 | $ 11.61 | $ 10.99 | $ 10.03 | $ 1 |
| le book value per share Non-GAAP | $ 12.46 | $ 11.31 | $ 12.08 | $ 11.00 | $ 10.38 | $ 9.42 | $ 1 |
| NTEREST MARGIN, TAX VALENT CALCULATION: (5) | | | | | | | |
| t income (GAAP) | | | | | | | |
| receivable, including fees | $ 7,598 | $ 6,145 | $ 26,862 | $ 21,497 | $ 19,512 | $ 18,007 | $ 17 |
| t bearing deposits | 16 | 4 | 23 | 9 | 11 | 16 | |
| ies taxable | 341 | 376 | 1,443 | 1,239 | 854 | 603 | 1 |
| ies tax-exempt | 313 | 201 | 832 | 899 | 923 | 1,016 | 1 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| nterest Income (GAAP) | 8,268 | 6,726 | 29,160 | 23,644 | 21,300 | 19,642 | 19 |
| uivalent adjustments | | | | | | | |
| ies tax-exempt | 157 | 99 | 415 | 449 | 439 | 519 | |
| ax equivalent adjustments | 157 | 99 | 415 | 449 | 439 | 519 | |

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| (Dollars in thousands, except per share data) | As of and for the three months ended March 31, 2017 | 2016 | As of and for the Year Ended December 31 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|
| | (unaudited) | | | | | | |
| Interest income tax equivalent | | | | | | | |
| Loans receivable, including fees | $ 7,598 | $ 6,145 | $ 26,862 | $ 21,497 | $ 19,512 | $ 18,007 | $ 17,646 |
| Interest bearing deposits | 16 | 4 | 23 | 9 | 11 | 16 | 35 |
| Securities taxable | 341 | 376 | 1,443 | 1,239 | 854 | 603 | 1,148 |
| Securities tax-exempt | 470 | 300 | 1,247 | 1,348 | 1,362 | 1,535 | 1,724 |
| Total Interest income tax equivalent | 8,425 | 6,825 | 29,575 | 24,093 | 21,739 | 20,161 | 20,553 |
| Total Interest Expense (GAAP) | (1,519) | (1,080) | (4,762) | (3,568) | (3,294) | (3,201) | (3,800) |
| Tax-equivalent net interest income | $ 6,906 | $ 5,745 | $ 24,813 | $ 20,525 | $ 18,445 | $ 16,960 | $ 16,753 |
| Net interest income (GAAP) | $ 6,749 | $ 5,646 | $ 24,398 | $ 20,076 | $ 18,006 | $ 16,441 | $ 16,167 |
| Yields and costs: | | | | | | | |
| Yield on securities tax-exempt tax equivalent | 4.02% | 3.99% | 3.85% | 4.00% | 4.38% | 4.99% | 5.49% |
| Yield on interest earning assets tax equivalent | 4.14% | 4.11% | 4.02% | 4.05% | 4.11% | 4.05% | 4.32% |
| Cost of interest bearing liabilities (GAAP) | 0.92% | 0.80% | 0.81% | 0.74% | 0.75% | 0.75% | 0.90% |
| Net Interest margin (GAAP) | 3.32% | 3.42% | 3.31% | 3.37% | 3.41% | 3.31% | 3.40% |
| Net interest margin, tax equivalent basis | 3.39% | 3.46% | 3.37% | 3.45% | 3.49% | 3.41% | 3.52% |

(1) The weighted average number of shares outstanding was computed based on the average number of shares outstanding during each period as adjusted for subsequent stock dividends.
(2) Cash dividends per common share are based on the actual number of common shares outstanding on the dates of record as adjusted for subsequent stock dividends, if any.
(3) Calculation of tangible book value per common share.
(4) Efficiency ratio is total other expenses divided by net interest income and total other income.
(5) Net interest margin, tax equivalent basis calculation.
(6) Bank capital ratios.

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## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF

## COMMUNITY BANK OF BERGEN COUNTY, NJ

The following tables set forth selected historical financial and other data of Community for the periods and at the dates indicated. The financial data as of and for the years ended December 31, 2016 and 2015 has been derived from the audited consolidated financial statements and notes thereto of Community included elsewhere in this joint proxy statement / prospectus. The information as of and for the years ended December 31, 2014, 2013 and 2012 is derived from Community s audited consolidated financial statements which are not included in this joint prospectus/joint proxy statement. The financial data as of and for the three months ended March 31, 2017 and 2016 has been derived from Community s unaudited consolidated financial statements included elsewhere in this joint proxy statement / prospectus. In the opinion of management of Community, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods, have been made. The selected operating data presented below for the three months ended March 31, 2017 and 2016 is not necessarily indicative of the results that may be expected for future periods.

| | **As of and for the three months ended March 31,** | | **As of and for the Year Ended December 31** | | | | |
|---|---|---|---|---|---|---|---|
| *ollars in thousands, except per share data)* | **2017** | **2016** | **2016** | **2015** | **2014** | **2013** | **2012** |
| | (unaudited) | | | | | | |
| UMMARY OF INCOME: | | | | | | | |
| terest income | $ 3,139 | $ 3,205 | $ 12,625 | $ 12,676 | $ 12,181 | $ 12,178 | $ 13,33 |
| terest expense | 515 | 489 | 1,935 | 2,040 | 1,951 | 2,382 | 2,90 |
| et interest income | 2,624 | 2,716 | 10,690 | 10,636 | 10,230 | 9,796 | 10,43 |
| ovision for loan losses | | 100 | 100 | 125 | 525 | 3,935 | 2,68 |
| oninterest income excluding gains on vestment securities and loss on sale of real tate owned | 189 | 167 | 826 | 800 | 873 | 974 | 1,06 |
| ains on sales of investment securities | | | 1 | 2 | 248 | 9 | 2 |
| oninterest expenses including loss on sale real estate owned | 2,204 | 2,240 | 8,897 | 8,698 | 9,385 | 9,136 | 8,65 |
| come before income tax expense | 609 | 543 | 2,520 | 2,615 | 1,441 | (2,292) | 19 |
| come tax provision | 209 | 142 | 856 | 784 | 245 | (1,180) | (22 |
| et income available to common areholders | $ 400 | $ 401 | $ 1,664 | $ 1,831 | $ 1,196 | $ (1,112) | $ 42 |
| ER SHARE DATA: | | | | | | | |
| EIGHTED AVERAGE NUMBER OF HARES: (1) | | | | | | | |
| asic | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,52 |
| luted | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,52 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| asic earnings per share | $ | 0.21 | $ | 0.21 | $ | 0.87 | $ | 0.95 | $ | 0.62 | $ | (0.58) | $ | 0.2 |
| luted earnings per share | | 0.21 | | 0.21 | | 0.87 | | 0.95 | | 0.62 | | (0.58) | | 0.2 |
| ash dividends (2) | | 0.00 | | 0.00 | | 0.00 | | 0.00 | | 0.00 | | 0.02 | | 0.1 |
| ook value per common share | | 15.36 | | 14.94 | | 14.96 | | 14.57 | | 13.68 | | 12.99 | | 13.7 |
| angible book value per share (3) | | 15.36 | | 14.94 | | 14.96 | | 14.57 | | 13.68 | | 12.99 | | 13.7 |
| | | | | | | | | | | | | | | |
| ALANCE SHEET: | | | | | | | | | | | | | | |
| vestment securities available for sale | $ | 83,892 | $ | 65,425 | $ | 79,108 | $ | 66,078 | $ | 52,021 | $ | 22,603 | $ | 19,52 |
| vestment securities held to maturity | | | | | | | | | | | | 35,392 | | 34,96 |
| oans, net | | 233,136 | | 232,741 | | 226,026 | | 227,712 | | 219,003 | | 197,245 | | 211,24 |

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| (dollars in thousands, except per share data) | As of and for the three months ended March 31, 2017 | 2016 | As of and for the Year Ended December 31 2016 | 2015 | 2014 | 2013 | 201 |
|---|---|---|---|---|---|---|---|
| | (unaudited) | | | | | | |
| ll and intangible assets | | | | | | | |
| sets | 355,726 | 327,713 | 340,500 | 325,279 | 297,150 | 293,597 | 304 |
| posits | $ 318,084 | $ 287,257 | $ 304,088 | $ 287,900 | $ 264,719 | $ 265,633 | $ 275 |
| rrowings | 4,000 | 8,000 | 4,000 | 6,000 | 3,000 | | |
| ckholders equity | 29,468 | 28,651 | 28,689 | 27,949 | 26,246 | 24,914 | 26 |
| e assets | 352,397 | 327,147 | 331,800 | 312,930 | 293,427 | 300,439 | 306 |
| e stockholders equity | 29,110 | 28,439 | 29,071 | 27,230 | 25,549 | 24,234 | 25 |
| | | | | | | | |
| RMANCE RATIOS: | | | | | | | |
| on average assets | 0.45% | 0.49% | 0.50% | 0.59% | 0.41% | -0.37% | |
| on average stockholders equity | 5.50% | 5.64% | 5.72% | 6.72% | 4.68% | -4.59% | |
| e equity/average assets | 8.26% | 8.69% | 8.76% | 8.70% | 8.71% | 8.07% | |
| cy ratio (4) | 76.11% | 76.04% | 77.11% | 74.62% | 74.81% | 80.09% | 7 |
| rest margin | 3.21% | 3.55% | 3.38% | 3.57% | 3.72% | 3.49% | |
| o Deposits | 73.29% | 81.02% | 74.33% | 79.09% | 82.73% | 74.25% | 7 |
| | | | | | | | |
| AL RATIOS: (5) | | | | | | | |
| n Equity to Asset ratio | 8.28% | 8.74% | 8.43% | 8.59% | 8.83% | 8.49% | |
| apital to average assets | 8.23% | 8.29% | 8.45% | 7.85% | 7.91% | 7.49% | |
| apital to total risk-weighted assets | 14.21% | 13.42% | 14.43% | 12.88% | 11.84% | 11.10% | 1 |
| apital to total risk-weighted assets | 15.47% | 14.68% | 15.69% | 14.15% | 13.09% | 12.36% | 1 |
| n equity Tier 1 capital to total ghted assets | 14.21% | 13.42% | 14.43% | 12.88% | NA | NA | |

e weighted average number of shares outstanding was computed based on the average number of shares outstanding during each period for subsequent stock dividends.

sh dividends per common share are based on the actual number of common shares outstanding on the dates of record as adjusted for ent stock dividends, if any.

| LATION OF TANGIBLE BOOK OMMON SHARE: (3) | | | | | | | |
|---|---|---|---|---|---|---|---|
| mmon stockholders equity at end of GAAP | $ 29,468 | $ 28,651 | $ 28,689 | $ 27,949 | $ 26,246 | $ 24,914 | $ 26 |
| | | | | | | | |
| ll and intangible assets | | | | | | | |
| ngible common stockholders equity at eriod Non-GAAP | $ 29,468 | $ 28,651 | $ 28,689 | $ 27,949 | $ 26,246 | $ 24,914 | $ 26 |
| utstanding at end of period | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918,144 | 1,918 |
| lue per share GAAP | $ 15.36 | $ 14.94 | $ 14.96 | $ 14.57 | $ 13.68 | $ 12.99 | $ 1 |
| e book value per share Non-GAAP | $ 15.36 | $ 14.94 | $ 14.96 | $ 14.57 | $ 13.68 | $ 12.99 | $ 1 |

(3) Calculation of tangible book value per common share.
(4) Efficiency ratio is total other expenses divided by net interest income and total other income.
(5) Bank capital ratios.

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## SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA FOR SUSSEX BANCORP

The following selected unaudited pro forma condensed combined financial data is based on the historical financial data of Sussex and Community, and has been prepared to illustrate the effects of the merger. It also gives effect to the offering of common stock that Sussex completed on May 21, 2017. It is based on certain assumptions that Sussex and Community believe are reasonable, which are described in the notes to the unaudited pro forma condensed combined financial statements included in this joint proxy statement/prospectus. The selected unaudited pro forma condensed combined financial data does not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the merger.

The results of operations data below is presented using the acquisition method of accounting, as if the merger was completed on January 1, 2017 and the balance sheet data below is presented as if the merger was completed on March 31, 2017.

Certain reclassifications were made to Community s historical financial information to conform to Sussex s presentation of financial information. This data should be read in conjunction with the Sussex historical consolidated financial statements and accompanying notes in Sussex s Quarterly Reports on Form 10-Q as of and for the three months ended March 31, 2017, and Sussex s Annual Report on Form 10-K as of and for the year ended December 31, 2016 and the Community historical financial statements and accompanying notes included in this joint proxy statement/prospectus.

Sussex has not performed the detailed valuation analysis necessary to determine the fair market values of Community s assets to be acquired and liabilities to be assumed. Accordingly, the unaudited pro forma condensed combined financial data does not include an allocation of the purchase price, unless otherwise specified. The pro forma adjustments included in this joint proxy statement/prospectus are subject to change depending on changes in interest rates and the components of assets and liabilities, and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair value of Community s tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the fair values of the net assets as compared with the information shown in the unaudited pro forma condensed combined financial data may change the amount of the purchase price allocated to goodwill and other assets and liabilities, and may impact Sussex s statement of operations due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Community s shareholders equity, including results of operations and certain balance sheet changes from March 31, 2017 through the date the merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented in this joint proxy statement/prospectus.

Sussex anticipates that the merger with Community will provide financial benefits that include reduced operating expenses. The pro forma information does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical benefits had the two companies been combined during these periods.

**The unaudited pro forma shareholders equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of Sussex common stock or the actual or future results of operations of Sussex for any period. Actual results may be materially different than the pro forma information presented.**

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See also the unaudited pro forma condensed combined financial statements and notes thereto beginning on page 141.

**Pro Forma Balance Sheet**

| March 31, 2017 (dollars in thousands) | Sussex Bancorp | Community Bank of Bergen County | Acqusition Adjustments | | Capital Raise Adjustments | | Post Merger and Capital Raise Pro Forma |
|---|---|---|---|---|---|---|---|
| Cash and cash Equivalents | 7,688 | 17,952 | (3,900) | (a) | 27,960 | (k) | 49,700 |
| Interest bearing time deposits with other banks | 100 | 1,300 | | | | | 1,400 |
| Investment securities available for sale | 99,797 | 83,892 | | | | | 183,689 |
| Investment securities held to maturity | 8,630 | | | | | | 8,630 |
| Federal Home Loan Bank Stock, at cost | 4,269 | 1,286 | | | | | 5,555 |
| Loans, net | 712,003 | 233,136 | (4,063) | (b)(c)(d) | | | 941,076 |
| Premises and equipment, net | 8,505 | 5,907 | 5,172 | (e) | | | 19,584 |
| Foreclosed real estate | 2,464 | 410 | | | | | 2,874 |
| Accrued interest receivable | 2,006 | 1,038 | | | | | 3,044 |
| Goodwill | 2,820 | | 13,515 | (h) | | | 16,335 |
| Other Intangibles | | | 3,645 | (f) | | | 3,645 |
| Other Assets | 24,000 | 10,805 | 183 | (j) | | | 34,988 |
| **Total Assets** | 872,282 | 355,726 | 14,552 | | 27,960 | | 1,270,520 |
| Non-interest bearing | 130,130 | 61,108 | | | | | 191,238 |
| Interest bearing | 566,446 | 256,976 | 1,304 | (g) | | | 824,726 |
| Total Deposits | 696,576 | 318,084 | 1,304 | (g) | | | 1,015,964 |
| Short-term borrowings | 14,800 | | | | | | 14,800 |
| Long-term borrowings | 66,000 | 4,000 | | | | | 70,000 |
| Subordinated Debt | 27,841 | | | | | | 27,841 |
| Other Liabilities | 4,643 | 4,174 | | | | | 8,817 |
| **Total Liabilities** | 809,860 | 326,258 | 1,304 | | | | 1,137,422 |
| Preferred Stock & Surplus | | | | | | | |
| Common Stock and Surplus | 36,703 | 14,830 | 27,886 | (a)(i)(j) | 27,960 | (k) | 107,379 |
| Retained Earnings | 25,111 | 14,941 | (14,941) | (i) | | | 25,111 |
| Accumulated Oth Comp Inc | 608 | (303) | 303 | (i) | | | 608 |
| **Total Equity** | 62,422 | 29,468 | 13,248 | (i) | 27,960 | | 133,098 |
| **Total Liabilities and Equity** | 872,282 | 355,726 | 14,552 | | 27,960 | | 1,270,520 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Per share information:** | | | | | | | |
| Shares outstanding | | 4,785,159 | | 1,918,144 | (57,544) (i) | 1,249,999 (k) | 7,895,758 |
| Book value per common share | $ | 13.04 (l) | $ | 15.36 (l) | | | $ 16.86 (l) |
| Tangible Book value per share | $ | 12.46 (l) | $ | 15.36 (l) | | | $ 14.36 (l) |

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**Pro Forma Income Statement**

| For 12 month period ending December 31, 2016 (dollars in thousands) | Sussex Bancorp | Community Bank of Bergen County | Acqusition Adjustments | Capital Raise Adjustments | Post Merger and Capital Raise Pro Forma |
|---|---|---|---|---|---|
| Interest Income | 29,160 | 12,625 | (89) (c) | | 41,696 |
| Interest Expense | 4,762 | 1,935 | (652) (g) | | 6,045 |
| **NET INTEREST INCOME** | **24,398** | **10,690** | **563** | | **35,651** |
| Provision For Loan Losses | 1,291 | 100 | | | 1,391 |
| Net Interest Income after Provision for Loan Losses | 23,107 | 10,590 | 563 | | 34,260 |
| **OTHER INCOME** | | | | | |
| Service fees on deposit accounts | 975 | 505 | | | 1,480 |
| Bank-owned life insurance | 308 | 196 | | | 504 |
| Insurance commissions and fees | 4,796 | | | | 4,796 |
| Investment brokerage fees | 75 | | | | 75 |
| Net gain on sales of securities | 444 | 1 | | | 445 |
| Net loss on disposal of premises and equipment | (19) | (17) | | | (36) |
| Other | 1,250 | 125 | | | 1,375 |
| Total Noninterest Income | 7,829 | 810 | | | 8,639 |
| **OTHER EXPENSE** | | | | | |
| Salaries and employee benefits | 13,078 | 4,661 | | | 17,739 |
| Occupancy, net | 1,859 | 544 | 133 (e) | | 2,536 |
| Other expenses | 7,648 | 3,675 | 663 (f) | | 11,986 |
| Total Noninterest Expense | 22,585 | 8,880 | 796 | | 32,261 |
| Net Income Before Taxes | 8,351 | 2,520 | (233) | | 10,638 |
| EXPENSE FOR INCOME TAXES | 2,828 | 856 | (95) (j) | | 3,589 |
| **Net Income After Taxes** | **5,523** | **1,664** | **(138)** | | **7,049** |
| **Net Income to Common Shares** | **5,523** | **1,664** | **(138)** | | **7,049** |
| Earnings per share, basic | $ 1.20 | $ 0.87 | | | $ 0.91 (m) |
| Earnings per share, diluted | $ 1.19 | $ 0.87 | | | $ 0.91 (m) |
| Average basic shares outstanding | 4,619,124 | 1,918,144 | (57,544) (i) | 1,249,999 (k) | 7,729,723 |
| Average diluted shares outstanding | 4,651,108 | 1,918,144 | (57,544) (i) | 1,249,999 (k) | 7,761,707 |

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**Pro Forma Income Statement**

| For 3 month period ending March 31, 2017 (dollars in thousands) | Sussex Bancorp | Community Bank of Bergen County | Acqusition Adjustments | Capital Raise Adjustments | Post Merger and Capital Raise Pro Forma |
|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | |
| Total Interest Income | 8,268 | 3,139 | (22) (c) | | 11,385 |
| Total Interest Expense | 1,519 | 515 | (163) (g) | | 1,871 |
| **NET INTEREST INCOME** | **6,749** | **2,624** | **141** | | **9,514** |
| Provision For Loan Losses | 407 | | | | 407 |
| Net Interest Income after Provision for Loan Losses | 6,342 | 2,624 | 141 | | 9,107 |
| **OTHER INCOME** | | | | | |
| Service fees on deposit accounts | 253 | 134 | | | 387 |
| Bank-owned life insurance | 106 | 48 | | | 154 |
| Insurance commissions and fees | 1,747 | | | | 1,747 |
| Investment brokerage fees | 3 | | | | 3 |
| Net gain on sales of securities | 107 | | | | 107 |
| Net loss on disposal of premises and equipment | | | | | |
| Other | 261 | 7 | | | 268 |
| Total Noninterest Income | 2,477 | 189 | | | 2,666 |
| **OTHER EXPENSE** | | | | | |
| Salaries and employee benefits | 3,558 | 1,124 | | | 4,682 |
| Occupancy, net | 500 | 142 | 33 (e) | | 675 |
| Other expenses | 1,919 | 938 | 166 (f) | | 3,023 |
| Total Noninterest Expense | 5,977 | 2,204 | 199 | | 8,380 |
| Net Income Before Taxes | 2,842 | 609 | (58) | | 3,393 |
| EXPENSE FOR INCOME TAXES | 831 | 209 | (24) (j) | | 1,016 |
| **Net Income After Taxes** | 2,011 | 400 | (34) | | 2,377 |
| **Net Income to Common Shares** | **2,011** | **400** | **(34)** | | **2,377** |
| Earnings per share, basic | $ 0.43 | $ 0.21 | $ | $ | $ 0.30 |
| Earnings per share, diluted | $ 0.43 | $ 0.21 | $ | $ | $ 0.30 |
| Average basic shares outstanding | 4,685,553 | 1,918,144 | (57,544) (i) | 1,249,999 (k) | 7,796,152 |
| Average diluted shares outstanding | 4,727,333 | 1,918,144 | (57,544) (i) | 1,249,999 (k) | 7,837,932 |

(a) The adjustment includes the assumption that the cost for Investment Banking and Legal Advisors will be $1.4 million and that $267 thousand will be paid to holders of in-the-money Community stock options. Also, included in the adjustment is the assumption that compensation will made to the Community Bank of Bergen County s employees in the form of severance pay, cash payouts, those who are bound by change in control agreements and other expenses estimated at $2.2 million.

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(b) The pro forma adjustment to loans, net of $4.1 million includes a negative $7.4 million credit component. The credit component fair value adjustment to loans, net is based on an estimated 3.1% of loans receivable, net of any unearned income.
(c) The pro forma adjustment to loans, net of $4.1 million includes a positive $354 thousand interest component, which will be amortized over an estimated 4 years. The estimated loan portfolio interest component adjustment is estimated to be 0.15% of loans receivable, net of any unearned income.
(d) The pro forma adjustment to loans, net of $4.1 million also includes the reversal of Community s allowance for loan losses of $3.0 million.
(e) Represents the pro forma fair value adjustment to real estate of $5.2 million and will be amortized over an estimated 39 years.
(f) Represents the recognition of the fair value of the core deposit intangible, which is estimated to be $3.6 million and will be amortized over 10 years using the sum of the years digits method. The amount of core deposit intangible is estimated at 1.6% of core deposits.
(g) Represents the fair value adjustment of the deposit portfolio due to interest estimated to be $1.3 million and will be amortized over 2 years. The estimated deposit portfolio fair value adjustment is estimated 0.41% of total deposits.
(h) Total goodwill due to the merger is calculated as follows (in thousands):

| | |
|---|---|
| Total purchase price of Community | $ 45,027 |
| Less: Community Equity | (29,468) |
| Estimated adjustments to reflect assets acquired at fair value Loans: | |
| Interest rate mark | 354 |
| Credit mark | (7,414) |
| Allowance for loan losses | 2,997 |
| Core deposit intangible | 3,645 |
| Fixed assets | 5,172 |
| Estimated adjustments to reflect liabilities acquired at fair value | |
| Fair value of deposits | (1,304) |
| Deferred Tax Liability | (1,406) |
| Total adjustments | (2,044) |
| Goodwill resulting from the merger | $ 13,515 |

Any change in the price of Sussex common stock would change the purchase price allocated to goodwill. The following table presents the sensitivity of the purchase price and resulting goodwill to changes in the price of Sussex common stock of $24.20, the price of Sussex common stock on July 20, 2017, the latest practicable date at the time of filing:

| | **Purchase Price** | **Estimated Goodwill** |
|---|---|---|
| Up 20% | $ 54,032 | $ 22,520 |
| Up 10% | 49,529 | 18,017 |
| | 45,027 | 13,514 |

| | | |
|---|---|---|
| As presented in pro forma financial information | | |
| Down 10% | 40,524 | 9,012 |
| Down 20% | 36,021 | 4,509 |

(i) The merger agreement provides that each outstanding share of Community stock will be exchanges for 0.97 shares of Sussex Bancorp Stock.

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The purchase price consideration in Common Stock is as follows (in thousands):

| | |
|---|---|
| Community shares outstanding, March 31, 2017 | 1,918,144 |
| Percent of Community common shares to be converted to Sussex Bancorp | 100% |
| Community shares settled for stock | 1,918,144 |
| Exchange ratio | 0.97 |
| Sussex Bancorp stock to be issued | 1,860,600 |
| Market price per share of Sussex Bancorp common stock on July 20, 2017, the latest practicable date at the time of filing | $ 24.20 |
| Total market value of Sussex Bancorp common stock to be issued | $ 45,027 |
| Total purchase price of Community | $ 45,027 |
| Proforma adjustment to capital | |
| Fair value of Sussex Bancorp shares to be issued, including stock options | $ 45,027 |
| Elimination of Community s equity | (29,468) |
| After tax acquisition expenses Sussex Bancorp | (2,311) |
| Total stockholders equity adjustment for acquisition | $ 13,248 |

(j) Effective Tax Rate on pre-tax amounts in the Deferred tax adjustment is 40.75%. Represents deferred tax liabilities of $1.4 million related to the fair value adjustment and Tax receivable amount of $1.5 million related to merger expenses of $3.6 million.

(k) Issued 1,249,999 shares as part of common stock offering that raised capital of $30.0 million less estimated underwiting discount and issuance costs of 6.8%.

| | Per share | Total |
|---|---|---|
| Public Offering Price | $ 24.00 | $ 30,000 |
| Underwiting discount | $ 1.20 | $ 1,500 |
| Proceeds before Expenses, to Sussex Bancorp | $ 22.80 | $ 28,500 |
| Estimated issuance expenses | $ 0.43 | $ 540 |
| Estimated net proceeds to Sussex Bancorp | $ 22.37 | $ 27,960 |

(l) Book value is calculated by dividing Total Equity by shares outstanding. Tangible book value is calculated by dividing Total equity less Goodwill and other intangibles by shares outstanding.

(m) Earnings per share is calculated by dividing post merger and capital raise pro forma net income by post merger and capital raise weighted average basic shares.

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## UNAUDITED COMPARATIVE PER SHARE DATA

The table below summarizes selected per share data about Sussex and Community. Sussex share data is presented on a pro forma basis to reflect the proposed merger with Community as if the merger had become effective at the end of the period presented, in the case of balance sheet information, and at the beginning of the period presented, in the case of income statement information. Sussex expects to issue approximately 1,860,600 shares of its common stock in the merger.

The data in the table should be read together with the financial information and the financial statements of Sussex and Community incorporated by reference into and included in this joint proxy statement/prospectus. The pro forma per share data or combined results of operations per share data is presented as an illustration only. The data does not necessarily indicate the combined financial position per share or combined results of operations per share that would have been reported if the merger had occurred when indicated, nor is the data a forecast of the combined financial position or combined results of operations for any future period. No pro forma adjustments have been included in this joint proxy statement/prospectus to reflect potential effects of merger integration expenses, cost savings or operational synergies which may be obtained by combining the operations of Sussex and Community, or the costs of combining the companies and their operations.

| | Unaudited Comparative Per Common Share Data | | | |
|---|---|---|---|---|
| | Sussex | Community | Sussex Pro Forma Combined(1) | Community Pro Forma Equivalent Per Share(2) |
| **Basic Earnings** | | | | |
| Year ended December 31, 2016 | $ 1.20 | $ 0.87 | $ 0.91 | $ 0.88 |
| Three months ended March 31, 2017 | $ 0.43 | $ 0.21 | $ 0.30 | $ 0.29 |
| **Diluted Earnings** | | | | |
| Year ended December 31, 2016 | $ 1.19 | $ 0.87 | $ 0.91 | $ 0.88 |
| Three months ended March 31, 2017 | $ 0.43 | $ 0.21 | $ 0.30 | $ 0.29 |
| **Cash Dividends Paid** | | | | |
| Year ended December 31, 2016 | $ 0.16 | | $ 0.16 | $ 0.16 |
| Three months ended March 31, 2017 | $ 0.04 | | $ 0.04 | $ 0.04 |
| **Book Value** | | | | |
| December 31, 2016 | $ 12.67 | $ 14.96 | $ 15.45 | $ 14.99 |
| March 31, 2017 | $ 13.04 | $ 15.36 | $ 15.82 | $ 15.35 |

(1) Pro forma combined dividends per share represent Sussex s historical dividends per share.
(2) The pro forma equivalent per share is based upon the pro forma combined amounts multiplied by the exchange ratio of 0.97.

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## COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION

Sussex common stock is listed and traded on the NASDAQ Global Market under the symbol SBBX , and Community common stock is quoted on the OTC under the symbol CMTB . The following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of Sussex and Community common stock, as reported on NASDAQ and the OTC, respectively. The table also sets forth the quarterly cash dividends per share declared by Sussex and Community with respect to their common stock. On , 2017, the last practicable trading day prior to the date of this joint proxy statement/prospectus, there were shares of Sussex common stock outstanding, which were held by shareholders of record, and shares of Community common stock outstanding, which were held by shareholders of record.

| | Sussex | | | Community | | |
|---|---|---|---|---|---|---|
| *For the calendar quarterly period ended:* | **High** | **Low** | **Dividends Declared** | **High** | **Low** | **Dividends Declared** [(1)] |
| **2017** | | | | | | |
| March 31, 2017 | $ 26.45 | $ 19.55 | $ 0.04 | $ 13.90 | $ 13.90 | |
| **2016** | | | | | | |
| March 31, 2016 | $ 13.45 | $ 11.43 | $ 0.04 | $ 11.40 | $ 11.40 | |
| June 30, 2016 | 14.00 | 12.20 | 0.04 | 11.27 | 11.27 | |
| September 30, 2016 | 16.95 | 13.33 | 0.04 | 12.00 | 12.00 | |
| December 31, 2016 | 21.95 | 16.33 | 0.04 | 13.50 | 13.50 | |
| **2015** | | | | | | |
| March 31, 2015 | $ 11.30 | $ 9.81 | $ 0.04 | $ 11.00 | $ 11.00 | |
| June 30, 2015 | 12.80 | 11.11 | 0.04 | 11.90 | 10.55 | |
| September 30, 2015 | 12.87 | 11.90 | 0.04 | 10.62 | 10.62 | |
| December 31, 2015 | 13.79 | 12.30 | 0.04 | 11.00 | 11.00 | |

The following table presents the last reported sale price per share of Sussex and Community common stock, as reported on NASDAQ and quoted on the OTC, respectively, on April 10, 2017, the last full trading day prior to the public announcement of the proposed merger, and on , 2017, the last practicable trading day prior to the date of this joint proxy statement/ prospectus. The following table also presents the equivalent per share value of Sussex common stock that Community shareholders would receive for each share of their Community common stock if the merger was completed on those dates:

| | **Sussex Common Stock** | **Community Common Stock** | **Equivalent Value Per Share of Community Common Stock** |
|---|---|---|---|
| April 10, 2017 | $ 25.05 | $ 13.95 | $ 24.30 |
| , 2017 | | | |

(1) Calculated by multiplying the closing price of Sussex common stock as of the specified date by the exchange ratio of 0.97.

The market value of Sussex common stock to be issued in exchange for shares of Community common stock upon the completion of the merger will not be known at the time of the Sussex or Community shareholder meeting. The above tables show only historical comparisons. Because the market prices of Sussex common stock and Community common stock will likely fluctuate prior to the merger, these comparisons may not provide meaningful information to Sussex and Community shareholders in determining whether to adopt and approve the merger agreement. Shareholders are encouraged to obtain current market quotations for Sussex common stock

[1] Does not include any stock dividends that Community has paid during the time periods addressed in this table.

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and Community common stock, and to review carefully the other information contained in this joint proxy statement/prospectus or incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information beginning on page 150.

The holders of Sussex common stock receive dividends as and when declared by Sussex s board of directors out of statutory surplus or from net profits. Following the completion of the merger, subject to approval and declaration by Sussex s board of directors, Sussex expects to continue paying quarterly cash dividends on a basis consistent with past practice. The current annualized rate of distribution on a share of Sussex common stock is $0.24 per share. Following the merger, Sussex is targeting to maintain its current dividend payout ratio on a combined company basis. However, the payment of dividends by Sussex is subject to numerous factors, and no assurance can be given that Sussex will pay dividends following the completion of the merger or that dividends will not be reduced in the future.

Prior to completion of the merger, the merger agreement does not permit Community to pay cash dividends. Community has not paid a cash dividend within the last three years and will not pay a cash dividend prior to completion of the merger.

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# RISK FACTORS

*In addition to the other information contained in or incorporated by reference into this joint proxy statement/ prospectus, including the matters addressed under the caption Information Regarding Forward-Looking Statements on page 35, you should carefully consider the following risk factors in deciding whether to vote for adoption and approval of the merger agreement.*

## Risks Related to the Merger

**The value of the merger consideration will vary with changes in Sussex s stock price.**

Upon completion of the merger, all of the outstanding shares of Community common stock will be converted into shares of Sussex common stock. The ratio at which the shares will be converted is fixed at 0.97 shares of Sussex common stock for each share of Community common stock. There will be no adjustment in the exchange ratio for changes in the market price of either Community common stock or Sussex common stock. Any change in the price of Sussex common stock will affect the aggregate value Community shareholders will receive in the merger. Stock price changes may result from a variety of factors, including changes in businesses, operations and prospects, regulatory considerations, and general market and economic conditions. Many of these factors are beyond our control. Accordingly, at the time of the shareholder meeting, Community shareholders will not know the value of the stock consideration they will receive in the merger.

**Shareholders may be unable to timely sell shares after completion of the merger.**

There will be a time period between the completion of the merger and the time at which former Community shareholders actually receive their shares of Sussex common stock. Until shares are received, former Community shareholders may not be able to sell their Sussex shares in the open market and, therefore, may not be able to avoid losses resulting from any decrease, or secure gains resulting from any increase, in the trading price of Sussex common stock during this period.

**The market price of Sussex common stock after the merger may be affected by factors different from those affecting the shares of Sussex or Community currently.**

The businesses of Sussex/Sussex Bank and Community differ and, accordingly, the results of operations of the combined bank and the market price of Sussex s shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of Sussex and Community. For a discussion of the businesses of Sussex and Community and of certain factors to consider in connection with those businesses, see the documents incorporated by reference into this joint proxy statement/prospectus and referred to under Where You Can Find More Information beginning on page 150.

**Both Community and Sussex shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined company.**

Each of Community and Sussex shareholders currently have the right to vote in the election of their respective board of directors and on other matters affecting their respective company. Upon completion of the merger, each Community shareholder will become a shareholder of Sussex with a percentage ownership of the combined company that is much smaller than such shareholder s current percentage ownership of Community. It is expected that the former shareholders of Community as a group will receive shares in the merger constituting approximately % of the outstanding shares of Sussex common stock immediately after the merger. Furthermore, because shares of Sussex common stock will be issued to existing Community shareholders, current Sussex shareholders will have their ownership and voting interests diluted approximately %. Accordingly, both Community and Sussex shareholders will have less influence on the management and policies of the combined company than they now have on the management and policies of their respective company.

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**After the merger is completed, Community shareholders will become Sussex shareholders and will have different rights that may be less advantageous than their current rights.**

Upon completion of the merger, Community shareholders will become Sussex shareholders. Differences in Community s restated certificate of incorporation and bylaws and Sussex s restated certificate of incorporation and amended and restated bylaws will result in changes to the rights of Community shareholders who become Sussex shareholders. For more information, see Comparison of Rights of Shareholders of Community and Sussex, beginning on page 134 of this joint proxy statement/prospectus.

**The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire Community.**

Until the completion of the merger, Community is prohibited from soliciting, initiating, encouraging, or with some exceptions, considering any inquiries or proposals that may lead to a proposal or offer for a merger or other business combination transaction with any person other than Sussex. In addition, Community has agreed to pay a termination fee of $1,816,000 to Sussex in specified circumstances. These provisions could discourage other companies from trying to acquire Community even though those other companies might be willing to offer greater value to Community shareholders than Sussex has offered in the merger. The payment of the termination fee also could have a material adverse effect on Community s results of operations.

**Community will be subject to business uncertainties and contractual restrictions while the merger is pending.**

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on Community. These uncertainties may impair Community s ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers, suppliers and others who deal with Community to seek to change existing business relationships with Community. Community employee retention and recruitment may be particularly challenging prior to the effective time of the merger, as employees and prospective employees may experience uncertainty about their future roles with Sussex.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect the financial results of Community and, following the merger, Sussex. In addition, the merger agreement requires that Community operate in the ordinary course of business consistent with past practice and restricts Community from taking certain actions prior to the effective time of the merger or termination of the merger agreement. These restrictions may prevent Community from pursuing attractive business opportunities that may arise prior to the completion of the merger.

**Community s directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Community shareholders.**

In considering the information contained in this joint proxy statement/prospectus, you should be aware that Community s directors and executive officers have financial interests in the merger that are different from, or in addition to, the interests of Community shareholders generally. These interests include, among other things:

- the right to receive cash payments in exchange for the cancellation of outstanding stock options;

the right of certain executive officers to receive cash payments in exchange for the termination their existing employment agreements;

the right of certain other executive officers to receive cash severance and continued employee benefits under certain circumstances;

the right to accelerated vesting and distribution of supplemental retirement plan account balances upon consummation of the merger;

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the right to continued indemnification and liability insurance coverage by Sussex after the merger for acts or omissions occurring before the merger; and

the right to three seats on Sussex s board of directors, and any related compensation for such services.

Also, Sussex and Sussex Bank entered into an employment agreement with Peter A. Michelotti regarding his continuing roles with Sussex and Sussex Bank following the merger. See the section of this joint proxy statement/prospectus entitled The Merger Interests of Community s Directors and Executive Officers in the Merger beginning on page 95 for a discussion of these financial interests.

**The unaudited pro forma financial data included in this joint proxy statement/prospectus is illustrative only, and may differ materially from Sussex s actual financial position and results of operations after the merger.**

The unaudited pro forma financial data in this joint proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what Sussex s actual financial position or results of operations would have been had the merger been completed on the dates indicated. The pro forma financial data reflects adjustments, which are based on preliminary estimates, to record Community s identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this joint proxy statement/prospectus is preliminary and final allocation of the purchase price will be based on the actual purchase price and the fair value of the assets and liabilities of Community as of the date of the completion of the merger. As a result, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this joint proxy statement/prospectus.

**The fairness opinion received by the board of directors of each of Sussex and Community from that party s financial advisor prior to execution of the merger agreement does not reflect changes in circumstances subsequent to the date of the fairness opinion.**

FinPro Capital Advisors, Inc., Community s financial advisor in connection with the proposed merger, delivered to the board of directors of Community its opinion on April 10, 2017. Keefe, Bruyette & Woods, Inc., Sussex s financial advisor in connection with the proposed merger, delivered to the board of directors of Sussex its opinion on April 5, 2017. The opinions speak only as of the respective dates of such opinions. The opinions do not reflect changes that may occur or may have occurred after the dates of the opinions, including changes to the operations and prospects of Sussex or Community, changes in general market and economic conditions or regulatory or other factors. Any such changes may materially alter or affect the relative values of Sussex and Community.

**The merger agreement may be terminated in accordance with its terms and the merger may not be completed.**

The merger agreement is subject to a number of conditions that must be fulfilled in order to complete the merger. Those conditions include, but are not limited to:

approval of the merger agreement by Sussex and Community shareholders;

receipt of required regulatory approvals;

- absence of orders prohibiting the completion of the merger;

- continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements; and

- receipt by both parties of legal opinions from their respective tax counsels.

In addition, Community may choose to terminate the merger agreement during the five-day period commencing on the 10th day prior to the closing date of the merger, if the price of Sussex common stock decreases by a certain percentage and also decreases by a certain percentage relative to the NASDAQ Bank

Index. Any such termination would be subject to the right of Sussex to increase the amount of Sussex common stock to be provided to Community shareholders pursuant to the formula prescribed in the merger agreement. See the section of this joint proxy statement/prospectus entitled The Merger Agreement Termination beginning on page 131 for a more complete discussion of the circumstances under which the merger agreement could be terminated.

**The merger is subject to the receipt of consents and approvals from governmental authorities that may delay the date of completion of each merger or impose conditions that could have an adverse effect on Sussex.**

Before the merger may be completed, various approvals or consents must be obtained from state and federal governmental authorities, including the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the New Jersey Department of Banking and Insurance. Satisfying the requirements of these governmental authorities may delay the dates of completion of the merger. In addition, these governmental authorities may include conditions on the completion of the merger, or require changes to the terms of the merger. While Sussex and Community do not currently expect that any such conditions or changes would result in a material adverse effect on Sussex, there can be no assurance that they will not, and such conditions or changes could have the effect of delaying completion of the merger, or imposing additional costs on or limiting the revenues of Sussex following the merger, any of which might have a material adverse effect on Sussex following the merger. The parties are not obligated to complete the merger should any regulatory approval contain a non-standard condition, restriction or requirement that the Sussex board reasonably determines in good faith would, individually or in the aggregate, materially reduce the benefits of the merger to such a degree that Sussex would not have entered into the merger agreement had such condition, restriction or requirement been known at the date of the merger agreement, with certain exceptions.

**Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of Sussex and Community.**

If the merger is not completed, the ongoing businesses of Sussex and Community may be adversely affected, and Sussex and Community will be subject to several risks, including the following:

- Community may be required, under certain circumstances, to pay Sussex a termination fee of $1,816,000 under the merger agreement;

- Sussex and Community will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

- under the merger agreement, Community is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies; and

- matters relating to the merger may require substantial commitments of time and resources by Sussex s and Community s management, which could otherwise have been devoted to other opportunities that may have been beneficial to Sussex and Community as independent companies, as the case may be.

In addition, if the merger is not completed, Sussex and/or Community may experience negative reactions from the financial markets and from their respective customers and employees. Sussex and/or Community also could be subject to litigation related to any failure to complete the merger or to enforcement proceedings commenced against Sussex or Community to perform their respective obligations under the merger agreement. If the merger is not completed, Sussex and Community cannot assure their respective shareholders that the risks described above will not materialize and will not materially affect the business, financial results and stock prices of Sussex and/or Community.

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## Risks Related to the Combined Company if the Merger is Completed

**The integration of the banks will present significant challenges that may result in the combined business not operating as effectively as expected or in the failure to achieve some or all of the anticipated benefits of the transaction.**

The benefits and synergies expected to result from the proposed transaction will depend in part on whether the operations of Community can be integrated in a timely and efficient manner with those of Sussex Bank. Sussex Bank will face challenges in consolidating its functions with those of Community, and integrating the organizations, procedures and operations of the two businesses. The integration of Sussex Bank and Community will be complex and time-consuming, and the management of both companies will have to dedicate substantial time and resources to it. These efforts could divert management s focus and resources from other strategic opportunities and from day-to-day operational matters during the integration process. Failure to successfully integrate the operations of Sussex Bank and Community could result in the failure to achieve some of the anticipated benefits from the transaction, including cost savings and other operating efficiencies, and Sussex Bank may not be able to capitalize on the existing relationships of Community to the extent anticipated, or it may take longer, or be more difficult or expensive than expected to achieve these goals. This could have an adverse effect on the business, results of operations, financial condition or prospects of Sussex and/or Sussex Bank after the transaction.

**Unanticipated costs relating to the merger could reduce Sussex s future earnings per share.**

Sussex and Sussex Bank believe that each has reasonably estimated the likely costs of integrating the operations of Sussex Bank and Community, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of the combined company. If unexpected costs are incurred, the merger could have a dilutive effect on Sussex s earnings per share. In other words, if the merger is completed, the earnings per share of Sussex common stock could be less than anticipated or even less than they would have been if the merger had not been completed.

**Estimates as to the future value of the combined company are inherently uncertain. You should not rely on such estimates without considering all of the information contained or incorporated by reference into this joint proxy statement/prospectus.**

Any estimates as to the future value of the combined company, including estimates regarding the earnings per share of the combined company, are inherently uncertain. The future value of the combined company will depend upon, among other factors, the combined company s ability to achieve projected revenue and earnings expectations and to realize the anticipated synergies described in this joint proxy statement/prospectus, all of which are subject to the risks and uncertainties described in this joint proxy statement/prospectus, including these risk factors. Accordingly, you should not rely upon any estimates as to the future value of the combined company, whether made before or after the date of this joint proxy statement/prospectus by Sussex s and Community s respective management or affiliates or others, without considering all of the information contained or incorporated by reference into this joint proxy statement/prospectus.

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## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus, including information included or incorporated by reference into this joint proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between Sussex and Community, including future financial and operating results and performance; statements about Sussex s and Community s plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, will, should, may or words of similar meaning. These forward-looking st based on the current beliefs and expectations of Sussex s and Community s management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of Sussex and Community. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

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:

- the failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all;
- the failure of the shareholders of Sussex and/or Community to adopt and approve the merger agreement;
- the failure to obtain governmental approvals of the merger or the imposition of adverse regulatory conditions in connection with regulatory approvals of the merger;
- disruptions to the parties businesses as a result of the announcement and pendency of the merger;
- costs or difficulties related to the integration of the businesses following the merger;
- operating costs, customer losses and business disruption following the merger, including adverse effects on relationships with employees, may be greater than expected;
- the risk that the future business operations of Sussex or Community will not be successful;
- the risk that the anticipated benefits, cost savings and any other savings from the merger may not be fully realized or may take longer than expected to realize;

changes in the interest rate environment that reduce margins;

changes in the regulatory environment;

the highly competitive industry and market areas in which Sussex and Community operate;

general economic conditions, either nationally or regionally, resulting in, among other things, a deterioration in credit quality;

changes in business conditions and inflation;

changes in credit market conditions leading to increases in Sussex s or Community s loan losses or level of non-performing loans;

changes in the securities markets which affect investment management revenues;

increases in FDIC deposit insurance premiums and assessments could adversely affect financial condition;

changes in technology used in the banking business;

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- the soundness of other financial services institutions which may adversely affect credit risk;
- certain intangible assets may become impaired in the future;
- internal controls and procedures may fail or be circumvented;
- new lines of business or new products and services, which may pose additional risks;
- changes in key management personnel which may adversely impact operations;
- the effect on operations of governmental legislation and regulation, including changes in accounting regulation or standards, the nature and timing of the adoption and effectiveness of new requirements that may be enacted; and
- severe weather, natural disasters, acts of war or terrorism and other external events which could significantly impact the business.

Additional factors that could cause Sussex s and Community s results to differ materially from those described in the forward-looking statements can be found in the section of this joint proxy statement/prospectus entitled Risk Factors beginning on page 30, and Sussex s filings with the Securities and Exchange Commission, or the SEC, including Sussex s Annual Reports on Form 10-K, as amended, for the fiscal year ended December 31, 2016.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference into this joint proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to Sussex or Community or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, Sussex and Community undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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## INFORMATION ABOUT THE COMPANIES

### Sussex Bancorp

Sussex is a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act ) and was incorporated under the laws of the State of New Jersey in January 1996. The Company is the parent company of Sussex Bank. The only significant asset of Sussex Bancorp is its investment in Sussex Bank, which is a commercial bank formed under the laws of the State of New Jersey in 1975 and is regulated by the New Jersey Department of Banking and Insurance (the Department ) and the Federal Deposit Insurance Corporation (the FDIC ).

Sussex Bank s wholly owned subsidiaries are SCB Investment Company, Inc., SCBNY Company, Inc., ClassicLake Enterprises, LLC, PPD Holding Company, LLC and Tri-State Insurance Agency, Inc. ( Tri-State ). SCB Investment Company, Inc. and SCBNY Company, Inc. hold portions of Sussex Bank s investment portfolio. ClassicLake Enterprises, LLC and PPD Holding Company, LLC hold certain foreclosed properties. Tri-State provides insurance agency services mostly through the sale of property and casualty insurance policies.

Sussex Bank s service area primarily consists of Sussex, Morris and Bergen Counties in New Jersey and Queens County, New York; although we make loans throughout New Jersey and the New York metropolitan markets. Sussex Bank operates from its corporate office in Rockaway, New Jersey, its eleven branch offices located in Andover, Augusta, Franklin, Hackettstown, Montague, Newton, Oradell, Sparta, Vernon, and Wantage, New Jersey, and in Astoria, New York, its regional office and corporate center in Wantage, New Jersey and its insurance agency offices in Augusta and Oradell, New Jersey. On December 18, 2013, Sussex Bank permanently closed the Warwick, New York branch location and during the first and third quarters of 2014 Sussex Bank opened a corporate office and a regional office and corporate center in Rockaway and Wantage, New Jersey, respectively. Sussex Bank opened a new branch location in Astoria, New York during the first quarter of 2015. On March 5, 2016, Sussex Bank opened a new branch location which includes a regional lending office in Oradell, New Jersey in Bergen County. On April 1, 2016, Sussex Bank permanently closed our regional lending and insurance agency offices in Rochelle Park, New Jersey, and transferred such lending and insurance activities to the Oradell branch. On April 29, 2016, we permanently closed the Port Jervis, New York branch location. In addition, Sussex Bank provides online banking services through its website located at www.sussexbank.com.

At March 31, 2017, Sussex had $872.3 million in assets, $696.6 million in deposits and $62.4 million of shareholders equity.

Sussex s principal executive offices are located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866, its phone number is (844) 256-7328 and its website is www.sussexbank.com. Information that is included in this website does not constitute part of this joint proxy statement/prospectus. Sussex common stock is traded on the NASDAQ Global Market under the symbol SBBX .

*Recent Stock Offering*

On June 21, 2017, Sussex completed an underwritten public offering of 1,249,999 shares of its common stock at a public offering price of $24.00 per share. The net proceeds to Sussex after underwriting discounts and commissions and estimated offering expenses was approximately $28.0 million.

### Community Bank of Bergen County, NJ

Community is a New Jersey commercial banking institution originally founded in 1928. Community s headquarters is located in Rochelle Park, New Jersey. It has three branch offices located throughout Bergen County, New Jersey. The main office is located at 125 West Pleasant Avenue in Maywood, New Jersey and the

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other two branch offices are located in Fair Lawn, and Rochelle Park, New Jersey. Community is regulated by both the New Jersey Department of Banking and Insurance and the Federal Reserve, and its deposits are insured by the FDIC.

Community s wholly owned subsidiaries are Community Investment Company and GFR Maywood LLC. Community Investment Company holds a portion of Community s investment portfolio. GFR Maywood holds certain foreclosed properties.

Community provides a full range of banking services to individual and corporate customers in northern New Jersey through its three branches. Community also offers the convenience of online banking and 24 hour ATMs to their customers.

At March 31, 2017, Community had $355.7 million in assets, $318.1 million in deposits and $29.5 million of shareholders equity.

Community focuses on making residential mortgage loans, consumer loans and commercial loans (including construction lending). Community markets and delivers its products and services primarily through its branch network.

Community s phone number is (201) 587-1221 and its website is www.cbbcnj.com. Information that is included in this website does not constitute part of this joint proxy statement/prospectus. Community common stock is quoted on the OTC under the symbol CMTB .

## SUPERVISION AND REGULATION

### Supervision and Regulation

Community and certain of its non-banking subsidiaries are subject to extensive regulation under federal and state laws. The regulatory framework applicable to insured depository institutions is intended to protect depositors, federal deposit insurance funds, and the U.S. banking system as a whole. This system is not designed to protect shareholders of insured depository institutions such as Community.

Statutes, regulations and policies are subject to ongoing review by Congress, state legislatures and federal and state agencies. A change in any statute, regulation or policy applicable to Community may have a material effect on Community s operations and financial performance. Financial reform legislation and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act ), may have adverse implications on the financial services industry, the competitive environment and Community s ability to conduct business. As a result, pending consummation of the merger Community may incur additional expenses to comply with applicable laws and regulations, which may increase our costs of operations and adversely impact Community s earnings.

Set forth below is a summary of the significant laws and regulations applicable to Community. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in the applicable law or regulation may have a material effect on the operations and business of Community.

### Overview

Community is organized as a state-chartered bank and is a member of the FRB. Community is chartered pursuant to the banking laws and regulations of the New Jersey Department of Banking and Insurance (the Department ) and is subject to the supervision of, and to regular examination by, the Department as its chartering authority, as well as by the FRB as its primary federal regulator. Financial products and services offered by Community are

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subject to federal consumer protection laws and regulations promulgated by the Consumer Financial Protection Bureau ( CFPB ). Community and certain of its nonbank subsidiaries are also subject to oversight by state attorneys general for compliance with state consumer protection laws. Community s deposits are insured by the Deposit Insurance Fund (the DIF ) of the FDIC up to the applicable deposit insurance limits in accordance with FDIC laws and regulations. Community s common stock is quoted on the OTC under the symbol CMTB .

**Volcker Rule**

Section 619 of the Dodd-Frank Act, commonly known as the Volcker Rule, restricts the ability of banking entities, such as Community, from: (i) engaging in proprietary trading and (ii) investing in or sponsoring certain types of funds ( Covered Funds ), subject to certain limited exceptions. The implementing regulation defines a Covered Fund to include certain investments such as collateralized loan obligation ( CLO ) and collateralized debt obligation securities. The regulation also provides, among other exemptions, an exemption for CLOs meeting certain requirements. Compliance with the Volcker Rule is generally required by July 21, 2017. Given Community s size and the scope of its activities, Community does not believe the implementation of the Volcker Rule will have a significant effect on its financial statements.

**Dividend Rights**

As a New Jersey-chartered bank, Community may declare and pay dividends only if, after payment of the dividend, the capital stock of Community will be unimpaired and either Community will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce Community s surplus.

**Capital Adequacy and Prompt Corrective Action**

In July 2013, the FRB, the Office of the Comptroller of the Currency (the OCC ) and the FDIC approved final rules (the Capital Rules ) that established a new capital framework for U.S. banking organizations. The Capital Rules generally implement the Basel Committee on Banking Supervision s (the Basel Committee ) December 2010 final capital framework referred to as Basel III for strengthening international capital standards. In addition, the Capital Rules implement certain provisions of the Dodd-Frank Act, including the requirements of Section 939A to remove references to credit ratings from the federal banking agencies rules.

The Capital Rules: (i) require a capital measure called Common Equity Tier 1 ( CET1 ) and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and Additional Tier 1 capital instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. The Capital Rules revised the definitions and the components of regulatory capital and impacted the calculation of the numerator in banking institutions regulatory capital ratios. The Capital Rules became effective for Community on January 1, 2015, subject to phase-in periods for certain components and other provisions. Under the Capital Rules, for most banking organizations, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock and the most common forms of Tier 2 capital are subordinated notes and a portion of the allocation for loan losses, in each case, subject to the Capital Rules specific requirements.

Pursuant to the Capital Rules, the minimum capital ratios as of January 1, 2015 are:

4.5% CET1 to risk-weighted assets;

6.0% Tier 1 capital (CET1 plus Additional Tier 1 capital) to risk-weighted assets;

8.0% Total capital (Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and

4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the leverage ratio ).

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The Capital Rules also requires a capital conservation buffer, composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity and other capital instrument repurchases and compensation based on the amount of the shortfall. When fully phased-in on January 1, 2019, the capital standards applicable to Community will include an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such items, in the aggregate, exceed 15% of CET1.

In addition, under the prior general risk-based capital rules, the effects of accumulated other comprehensive income or loss ( AOCI ) items included in shareholders equity (for example, marks-to-market of securities held in the available-for-sale portfolio) under U.S. GAAP are reversed for the purposes of determining regulatory capital ratios. Under the Capital Rules, the effects of certain AOCI items are not excluded; however, banking organizations not using the advanced approaches, including Community, were permitted to make a one-time permanent election to continue to exclude these items in January 2015. Community elected to make a one-time permanent election to exclude certain AOCI items for regulatory capital ratios.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015, and are being phased-in over a 4-year period (beginning at 40% on January 1, 2015, and an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016, at the 0.625% level and increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

The Capital Rules also revised the prompt corrective action ( PCA ) regulations adopted pursuant to Section 38 of the Federal Deposit Insurance Act (the FDIA ), by: (i) introducing a CET1 ratio requirement at each PCA category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to 6%); and (iii) eliminating the provision that permitted a bank with a composite supervisory rating of 1 and a 3% leverage ratio to be considered adequately capitalized. The Capital Rules did not change the total risk-based capital requirement for any PCA category.

The Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes.

Management believes that Community is in compliance, and will remain in compliance, with the targeted capital ratios as such capital requirements are phased in.

**Federal Deposit Insurance**

The Dodd-Frank Act increased the maximum amount of deposit insurance for insured depository institutions to $250,000 per depositor per insured institution. Community s deposit accounts are fully insured by the FDIC Deposit Insurance Fund (the DIF ) up to the deposit insurance limits in accordance with applicable laws and regulations.

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The FDIC uses a risk-based assessment system that imposes insurance premiums based upon a risk matrix that accounts for a bank s capital level and supervisory rating ( CAMELS rating ). The risk matrix uses different risk categories distinguished by capital levels and supervisory ratings. As a result of the Dodd-Frank Act, the base for deposit insurance assessments is now consolidated average assets less average tangible equity. Assessment rates are calculated using formulas that take into account the risk of the institution being assessed. In addition to deposit insurance assessments, the FDIA provides for additional assessments to be imposed on insured depository institutions to pay for the cost of Financing Corporation ( FICO ) funding. The FICO is a mixed-ownership government corporation established by the Competitive Equality Banking Act of 1987, whose sole purpose was to function as a financing vehicle for the now defunct Federal Savings & Loan Insurance Corporation. The FICO assessments are adjusted quarterly to reflect changes in the assessment base of the DIF and do not vary depending upon a depository institution s capitalization or supervisory evaluation.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that an insured depository institution has engaged in unsafe and 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. Community s management is not aware of any practice, condition or violation that might lead to the termination of deposit insurance.

**Depositor Preference**

The FDIA provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, with respect to any extensions of credit they have made to such insured depository institution

**Reserve Requirements**

FRB regulations require insured depository institutions to maintain non-interest earning reserves against their transaction accounts (primary interest-bearing and regular checking accounts). Community s required reserves can be in the form of vault cash. If vault cash does not fully satisfy the required reserves, in the form of a balance maintained with the Federal Reserve Bank of New York. FRB regulations required for 2017 that reserves be maintained against aggregate transaction accounts, except for transaction accounts which are exempt up to $15.5 million. Transaction accounts greater than $15.5 million up to and including $115.1 million have a reserve requirement of 3%. A 10% reserve ratio will be assessed on transaction accounts in excess of $103.6 million. The FRB generally makes annual adjustments to the tiered reserves. The FRB generally makes annual adjustments to the tiered reserves. Community is in compliance with these reserve requirements.

**Transactions with Affiliates and Insiders**

Under federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act ( FRA ) and its implementing Regulation W. Generally, sections 23A and 23B of the FRA are intended to protect insured depository institutions from losses arising from transactions with non-insured affiliates by limiting the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the bank in the aggregate, and requiring that such transactions be on terms consistent with safe and sound banking practices.

Further, Section 22(h) of the FRA and its implementing Regulation O restricts loans to directors, executive officers, and principal stockholders (insiders). Under Section 22(h), loans to insiders and their related interests may not exceed, together with all other outstanding loans to such persons and affiliated entities, the institution s total capital and surplus. Loans to insiders above specified amounts must receive the prior approval of the board

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of directors. Further, under Section 22(h) of the FRA, loans to directors, executive officers and principal stockholders must be made on terms substantially the same as offered in comparable transactions to other persons, except that such insiders may receive preferential loans made under a benefit or compensation program that is widely available to the bank s employees and does not give preference to the insider over the employees. Section 22(g) of the FRA places additional limitations on loans to executive officers.

### Anti-Money-Laundering

The Bank Secrecy Act ( BSA ), as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ( USA PATRIOT Act ), imposes obligations on U.S. financial institutions, including banks and broker-dealer subsidiaries, to implement policies, procedures and controls which are reasonably designed to detect and report instances of money laundering and the financing of terrorism. The USA PATRIOT Act requires all financial institutions, including Community, to identify their customers, adopt formal and comprehensive anti-money laundering programs, scrutinize or prohibit altogether certain transactions of special concern, and be prepared to respond to inquiries from U.S. law enforcement agencies concerning their customers and their transactions. The USA PATRIOT Act also encourages information-sharing among financial institutions, regulators, and law enforcement authorities by providing an exemption from the privacy provisions of the GLB Act for financial institutions that comply with this provision. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act, which applies to Community. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal, financial and reputational consequences. As of June 30, 2017, Community believes it is in compliance with the BSA and the USA PATRIOT Act, and implementing regulations.

### Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the OFAC rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control ( OFAC ). The OFAC-administered sanctions targeting countries take many different forms. Generally, they contain one or more of the following elements: i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

### Consumer Protection Laws and CFPB Supervision

The Dodd-Frank Act centralized responsibility for federal consumer financial protection in the CFPB, which is an independent agency charged with responsibility for implementing, enforcing, and examining compliance with federal consumer laws and regulations. Community is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy. Among others, these laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which established the CFPB.

The CFPB is expected to continue to issue and amend rules implementing the consumer financial protection laws, which may impact Community s operations and activities.

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**Community Reinvestment Act of 1977**

Community has a responsibility under the CRA and its implementing regulations to help meet the credit needs of its communities, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution s discretion to develop the types of products and services that it believes are best suited to its particular community. Regulators periodically assess Community s record of compliance with the CRA. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit discrimination in lending practices on the basis of characteristics specified in those statutes. Community s failure to comply with the CRA could, at a minimum, result in regulatory restrictions on its activities and the activities of Community. Community received a Satisfactory CRA rating in its most recent examination.

**Financial Privacy Laws**

Section V of the Gramm-Leach-Bliley Act and its implementing regulations require all financial institutions, including Community, to adopt privacy policies, restrict the sharing of nonpublic customer data with nonaffiliated parties at the customer s request, and establish procedures and practices to protect customer data from unauthorized access. In addition, the Fair Credit Reporting Act ( FCRA ), as amended by the Fair and Accurate Credit Transactions Act of 2003 ( FACT Act ), includes many provisions affecting Community, and/or is affiliates, including provisions concerning obtaining consumer reports, furnishing information to consumer reporting agencies, maintaining a program to prevent identity theft, sharing of certain information among affiliated companies, and other provisions. The FACT Act requires persons subject to FCRA to notify their customers if they report negative information about them to a credit bureau or if they are granted credit on terms less favorable than those generally available. The CFPB and the Federal Trade Commission ( FTC ) have extensive rulemaking authority under the FACT Act, and Community is subject to the rules that have been promulgated under the FACT Act, including rules regarding limitations on affiliate marketing and implementation of programs to identify, detect and mitigate certain identity theft red flags. Community has developed policies and procedures for itself and its subsidiaries and believes it is in compliance with all privacy, information sharing, and notification provisions of the GLB Act and the FACT Act. Community is also subject to data security standards, privacy and data breach notice requirements, primarily those issued by the FDIC.

**Future Legislative Initiatives**

From time to time, various legislative and regulatory initiatives are introduced by Congress, state legislatures, and financial regulatory agencies. Such initiatives may include proposals to expand or contract the powers of depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of Community in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. Community cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of Community. A change in statutes, regulations, or regulatory policies applicable to Community or any of its subsidiaries could have a material effect on the business of Community.

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## MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

## AND RESULTS OF OPERATIONS

This discussion presents management s analysis of the consolidated financial condition and results of operations of Community as of and for each of the years in the two-year period ended December 31, 2016 and the three month periods ended March 31, 2017 and March 31, 2016. The discussion should be read in conjunction with the consolidated financial statements of Community and the notes related thereto which appear elsewhere in this joint proxy statement/prospectus.

### Management Strategy

Community offers traditional community bank loan and deposit products and services.

### Significant Accounting Policies

The following is a description of the more significant accounting policies used in preparation of the accompanying consolidated financial statements of Community Bank of Bergen County, NJ and Subsidiaries.

***Principles of Consolidation***

The consolidated financial statements are comprised of the accounts of Community Bank of Bergen County, NJ and its wholly-owned subsidiaries, Community Investment Company and GFR Maywood LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Basis of Consolidated Financial Statement Presentation***

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (the U.S. GAAP ). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the statement of financial condition and revenues and expenses for the period then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses and the valuation of other real estate owned.

Management believes that the allowance for loan losses considers all known and inherent losses. While management uses available information to recognize losses on loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions in Community s market area. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Community s allowance for loan losses. Such agencies may require the Community to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination.

***Concentration of Risk***

Community s lending activity is concentrated in loans secured by real estate located in the State of New Jersey.

***Interest-Rate Risk***

Community is principally engaged in the business of attracting deposits from the general public and using these deposits to make loans secured by real estate and, to a lesser extent, consumer and commercial loans and to purchase mortgage-backed and investment securities. The potential for interest-rate risk exists as a result of the shorter duration of Community s interest-sensitive liabilities compared to the generally longer duration of interest-sensitive assets.

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In a rising interest rate environment, liabilities will generally re-price faster than assets, and there may be a reduction in the market value of long-term assets and net interest income. For this reason, management regularly monitors the maturity structure of the Community s assets and liabilities in order to control its level of interest-rate risk and to plan for future volatility.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and amounts due from depository institutions, interest-bearing accounts and federal funds sold. For the purpose of the statements of cash flows, Community considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

***Securities***

Debt securities over which there exists positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized holdings gains and losses included in earnings. Debt and equity securities not classified as trading securities, nor as held to maturity securities, are classified as available for sale securities and reported at fair value, with unrealized holding gains or losses, net of deferred income taxes, reported as a separate component of stockholders equity. Community held no trading securities as of December 31, 2016 and 2015.

Premiums and discounts on all securities are amortized/accreted using the interest method. Interest and dividend income on securities, which includes amortization of premiums and accretion of discounts, is recognized in the financial statements when earned. The adjusted cost basis of an identified security sold or called is used for determining security gains and losses recognized in the consolidated statements of income.

Community reviews its investment portfolio on a monthly basis for indication of impairment and to determine if such impairment is other-than-temporary. This review includes analyzing the length of time and the extent to which the fair value has been lower than the amortized cost, and the financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer. Community also assesses its intent with regard to selling or holding each security as well as any conditions that may require Community to sell the security prior to the recovery of fair value to a level which equals or exceeds amortized cost.

Other-than-temporary impairments on securities that Community has decided to sell or will more likely than not be required to sell prior to the full recovery of their fair value to a level to or exceeding amortized cost are recognized in earnings. Otherwise, the other-than-temporary is bifurcated into credit related and noncredit-related components. The credit related impairment generally represents the amount by which the present value of the cash flows expected to be collected on a debt security falls below its amortized cost. The noncredit-related component represents the remaining portion of the impairment not otherwise designated as credit-related. Credit related other-than-temporary impairments are recognized in earnings while noncredit-related other-than-temporary impairments are recognized, net of deferred income taxes, in other comprehensive income.

***Loans and Allowance for Loan Losses***

Loans receivable are stated at unpaid principal balances, less the allowance for loan losses and net deferred loan origination fees and discounts. Loan origination fees, net of certain direct loan origination costs, are deferred and recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for prepayments.

Uncollected interest on loans that are contractually past due is charged off, or an allowance is established based on management s periodic evaluation. The allowance is established by a charge to interest income and income is

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subsequently recognized only to the extent that cash payments are received until, in management s judgment, the borrower s ability to make periodic interest and principal payments is reestablished, in which case the loan is returned to accrual status. At a minimum, an allowance is established for all interest payments that are more than 90 days delinquent.

The allowance for loan losses represents management s estimate of losses inherent in the loan portfolio as of the statement of financial condition date and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Any subsequent recoveries are credited to the allowance.

An allowance for loan losses is maintained at a level considered necessary to provide for loan losses based upon the evaluation of known and inherent losses in the loan portfolio. Management of Community, in determining the allowance for loan losses considers the credit risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the general economic and real estate market conditions.

The allowance calculation methodology includes segregation of the total loan portfolio into segments. Community s loans receivable portfolio is comprised of the following segments: residential real estate, commercial real estate, construction, commercial and industrial and consumer. Some segments of Community s loan receivable portfolio are further disaggregated into classes, which allow management to better monitor risk and performance.

The residential mortgage loan segment is disaggregated into three classes: one-to-four family loans, which consist of first and second liens, one-to-four family revolving credit lines, and multi-family, which are primarily first liens. The commercial real estate loan segment includes both owner and non-owner occupied loans which have medium risk based on historical experience with these type loans. The assets financed through commercial loans are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets. Commercial real estate loans typically require a loan to value ratio of not greater than 75% and vary in terms. The construction loan segment, which includes land loans, is comprised mostly of owner occupied one-to-four family projects, which tend to have less risk than the non-owner occupied development projects. The commercial and industrial loan segment consists of loans made for the purpose of financing the activities of commercial customers. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. The consumer loan segment consists primarily of unsecured or overdraft lines of credit and an insignificant amount of other personal consumer loans.

Community s credit policies determine advance rates against the different forms of collateral that can be pledged against loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable and inventory. Individual loan advance rates may be higher or lower depending upon the financial strength of the borrower and/or term of the loan.

Community maintains a loan review system, which allows for a periodic review of its loan portfolio and the early identification of impaired problem loans. The borrower s overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated quarterly for multi-family, commercial real estate, construction, commercial and industrial loans and certain residential loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans criticized special mentions have potential weaknesses that deserve management s close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any.

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Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass.

Community utilizes a two-tier approach to estimate its allowance for loan losses (1) identification of problem loans (impaired loans) and establishment of specific loss allowances on such loans; and (2) establishment of general valuation allowances on the remainder of its loan portfolio.

A loan is deemed to be impaired when, based on current information and events, it is probable that Community will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed. All loans identified as impaired are evaluated independently. Community does not aggregate such loans for evaluation purposes. Loan impairment is measured based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the loan s observable market price or the fair value of the collateral if the loan is collateral dependent.

For loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower s financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

When the measurement of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through an individual (specific) loss allowance. The evaluation of the need and amount of the allowance for impaired loans and whether a loan can be removed from impairment status is made on a quarterly basis. Community s policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

The general valuation component covers pools of loans by loan class and includes all loans not individually evaluated for impairment. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. These qualitative risk factors generally include:

1. Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.

2. National, regional, and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.

3. Nature and volume of the portfolio and terms of loans.

4. Volume and severity of past due, classified and nonaccrual loans as well as other loan modifications.

5. Existence and effect of any concentrations of credit and changes in the level of such concentrations.

6. Effect of external factors, such as competition and legal and regulatory requirements.

Regardless of the extent of the analysis of customer performance, portfolio evaluations, trends or risk management processes established, certain inherent, but undetected losses are probable within the loan portfolio. This is due to several factors including inherent delays in obtaining information regarding a customer s financial condition or changes in their conditions, the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends, and the sensitivity of assumptions utilized to establish allocated allowances for homogeneous groups of loans among other factors. These other credit risk factors are regularly reviewed and revised by management where conditions indicate that the estimates initially applied are different from actual results.

Community may grant a concession or modification for economic or legal reasons related to a borrower s financial condition that it would not otherwise consider resulting in a modified loan, which is then identified as a troubled debt restructuring ( TDR ). Community may modify loans through rate reductions, extensions of maturity, interest only payments, or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. TDRs are considered impaired loans for purposes of calculating Community s allowance for loan losses until they are ultimately repaid in full or foreclosed and sold.

Community identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower s financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

***Other Real Estate Owned***

Other real estate owned represents real estate acquired through foreclosure or by deed in lieu of foreclosure and is initially recorded at the lower of cost or fair value, less estimated selling costs. Write-downs required at the time of acquisition are charged to the allowance for loan losses. Thereafter, Community maintains an allowance for decreases in the properties estimated fair value, through charges to earnings. Such charges are included in other non-interest expense along with any additional property maintenance.

***Premises and Equipment***

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation and amortization. Significant renovations and additions are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Community computes depreciation on a straight-line basis over the estimated useful lives of the assets.

***Federal Reserve Bank of New York Stock***

Community is a member of the Federal Reserve Bank of New York. Federal law requires a member institution of the Federal Reserve System ( FRB ) to hold stock of its district Federal Reserve Bank according to a predetermined formula. Such stock is considered restricted and is carried at its cost of $444,900 and $386,650 as of December 31, 2016 and 2015 respectively and included in investments in restricted stock in the accompanying consolidated statements of financial condition.

***Atlantic Community Bankers Bank Stock***

Community is a member of the Atlantic Community Bankers Bank ( ACBB ). A requirement of membership is to hold stock in the ACBB according to a predetermined formula. Such stock is considered restricted and is

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carried at its cost of $60,000 as of December 31, 2016 and 2015 and included in investments in restricted stock in the accompanying consolidated statements of financial condition.

***Federal Home Loan Bank of New York***

Community is qualified to do business with the Federal Home Loan Bank of New York ( FHLBNY ). A requirement of membership is to hold stock in the FHLBNY according to a predetermined formula and from time to time purchase from or sell to the FHLBNY predetermined shares depending on the amount of funds borrowed from the FHLBNY. Such stock is considered restricted and is carried at its cost of $530,700 and $597,500 as of December 31, 2016 and 2015 respectively and included in investments in restricted stock in the accompanying consolidated statements of financial condition.

***Senior Housing Crime Prevention Foundation Investment Corporation***

During the year ended December 31, 2011, Community purchased preferred shares in the Senior Crime Prevention Foundation Investment Corporation. This program provides capital to the foundation to support senior housing crime prevention programs and is useful in providing Community with qualified Community Reinvestment Act (CRA) credit. Such stock is restricted and is carried at its cost of $250,000 at December 31, 2016 and 2015 and included in investments in restricted stock in the accompanying consolidated statements of financial condition.

***Bank Owned Life Insurance***

Community invests in bank owned life insurance ( BOLI ) as a source of funding for employee benefit expenses. BOLI involves purchasing of life insurance by Community on a chosen group of employees and directors. Community is the owner and beneficiary of the policies. Bank owned life insurance is carried at net cash surrender value of the policies. The changes in the net cash surrender value are recorded in non-interest income. Death benefit proceeds received in excess of the policies cash surrender values are recognized in income upon receipt.

***Income Taxes***

Community accounts for income under the liability method whereby deferred tax asset and liability account balances are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The realization of deferred tax assets is assessed and a valuation allowance provided, when necessary, for that portion of the asset, which is not likely to be realized. Management believes, based upon current facts, that it is more likely than not that there will be sufficient taxable income in future years to realize the deferred tax assets.

***Stock-Based Compensation***

Community recognizes compensation costs related to share-based payment transactions under the grant date fair value method over the period the employee provides service in exchange for the reward, which is generally the vesting period.

***2011 Executive Retirement Incentive Plan***

In 2011, Community adopted a 2011 Executive Retirement Incentive Plan to provide supplemental retirement income to eligible participants who receive annual incentive awards of deferred compensation under the plan denominated as a percentage of base salary set by Community s board of directors. This deferred compensation arrangement is accounted for in accordance with FASB ASC 710, *Compensation*, which requires that benefits be accrued over the relevant service period to which the benefits are attributed.

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***Earnings Per Share***

Basic earnings per share are computed by dividing net income for the year by the weighted average numbers of shares of common stock outstanding. Diluted earnings per share is computed by adjusting the weighted average number of shares of common stock outstanding to include the effect of outstanding stock options and compensation grants, if dilutive, using the treasury stock method.

***Stock Dividend***

All references in the consolidated financial statements and footnotes to the number of weighted average shares outstanding and the stock option data of Community s common stock have been restated to reflect the 10% stock dividend granted in 2016 for all periods presented.

***Off-Balance Sheet Financial Instruments***

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

***Fair Value of Financial Instruments***

Community follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures* ( ASC 820 ). ASC 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value, as required by FASB ASC 820, must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. Community s assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS**

None.

***COMPARISION OF OPERATING RESULTS FOR THREE MONTHS ENDED MARCH 31, 2017 AND 2016***

Community s net income is impacted by five major components and each of them is reviewed in more detail in the following discussion:

net interest income, or the difference between interest income earned on loans and investments and interest expense paid on deposits and borrowed funds;

provision for loan losses, or the amount added to the allowance for loan losses to provide reserves for

inherent losses on loans;

non-interest income, which is made up primarily of certain loan and deposit fees;

non-interest expense, which consists primarily of compensation and benefits and other operating expenses; and

income taxes.

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***Overview.*** For the quarter ended March 31, 2017, Community reported net income of $400 thousand, or $0.21 per basic and diluted common share, for the quarter ended March 31, 2017, as compared to $401 thousand, or $0.21 per basic and diluted share, for the same period last year.

***Comparative Average Balances and Average Interest Rates.*** The following table presents a summary of Community s interest-earning assets and their average yields, and interest-bearing liabilities and their average costs for the three month periods ended March 31, 2017 and 2016:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| *(Dollars in thousands)* | Average Balance | Interest | Average Rate (2) | Average Balance | Interest | Average Rate (2) |
| Earning Assets: | | | | | | |
| Securities: | | | | | | |
| Tax exempt | $ 6,078 | $ 16 | 1.07% | $ 11,014 | $ 27 | 0.98% |
| Taxable | 75,125 | 368 | 1.99% | 54,556 | 233 | 1.71% |
| Total securities | 81,203 | 384 | 1.92% | 65,570 | 260 | 1.59% |
| Total loans receivable (1) (4) | 233,837 | 2,720 | 4.72% | 233,544 | 2,932 | 5.04% |
| Other interest-earning assets | 16,518 | 35 | 0.86% | 8,137 | 13 | 0.64% |
| Total earning assets | 331,558 | $ 3,139 | 3.84% | $ 307,251 | $ 3,205 | 4.18% |
| Non-interest earning assets | 23,903 | | | 23,191 | | |
| Allowance for loan losses | (3,064) | | | (3,295) | | |
| Total Assets | $ 352,397 | | | $ 327,147 | | |
| Sources of Funds: | | | | | | |
| Total interest bearing deposits | $ 254,513 | $ 503 | 0.80% | $ 232,294 | $ 471 | 0.81% |
| Borrowed funds | 4,006 | 12 | 1.21% | 7,632 | 18 | 0.95% |
| Total interest bearing liabilities | 258,513 | $ 515 | 0.81% | $ 239,926 | $ 489 | 0.82% |
| Non-interest bearing liabilities: | | | | | | |
| Demand deposits | 60,792 | | | 55,415 | | |
| Other liabilities | 3,976 | | | 3,367 | | |
| Total non-interest bearing liabilities | 64,768 | | | 58,782 | | |
| Stockholders equity | 29,110 | | | 28,439 | | |
| Total Liabilities and Stockholders Equity | $ 352,397 | | | $ 327,147 | | |
| | | $ 2,624 | 3.21% | | $ 2,716 | 3.55% |

Net Interest Income and Net Interest
Margin (5)

(1) Includes loan fee income.
(2) Average rates on securities are calculated on amortized costs.
(4) Loans outstanding include non-accrual loans.
(5) Represents the difference between interest earned and interest paid, divided by average total interest-earning assets.

***Net Interest Income*.** Net interest income is the difference between interest and deferred fees earned on loans and other interest-earning assets and interest paid on interest-bearing liabilities. Net interest income is directly affected by changes in volume and mix of interest-earning assets and interest-bearing liabilities that support those assets, as well as changing interest rates when differences exist in repricing dates of assets and liabilities.

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Net interest income decreased $92 thousand, or 3.4%, to $2.6 million for the first quarter of 2017, as compared to $2.7 million for the same period in 2016. The decrease in net interest income was largely due to a decrease in interest income on loans of $212 thousand which was partially offset by a $124 thousand increase in interest and dividend income on securities. Additionally, the decrease in net interest income was due to a $22.2 million, or 9.6%, increase in average interest bearing deposits, principally savings accounts, which increased $18.1 million, or 65.6%, causing total interest expense to increase by $26 thousand.

***Interest Income.*** Community s total interest income decreased $66 thousand, or 2.14%, to $3.1 million for the quarter ended March 31, 2017, as compared to the same period last year.

Community s total interest income on loans receivable decreased $212 thousand or 7.2%, to $2.7 million for the first quarter of 2017, as compared to the same period in 2016. The decrease in interest income earned on loans receivable was due to a 32 basis point decline in the average yield to 4.72% for the quarter ended March 31, 2017, as compared to the same period in 2016.

Community s total interest income earned on securities increased $124 thousand or 47.7%, to $384 thousand for the quarter ended March 31, 2017 from $260 thousand for the same period in 2016. The increase in interest income earned on securities was mostly due to an increase in average balance of $15.6 million to $81.2 million and a 33 basis point increase in the average yield to 1.92% for the quarter ended March 31, 2017, as compared to the same period in 2016.

***Interest Expense.*** Community s interest expense for the three months ended March 31, 2017 increased $26 thousand, or 5.3%, to $515 thousand from $489 thousand for the same period in 2016. The increase was principally due to higher average balances in interest-bearing liabilities, which increased $18.6 million, or 7.8%, to $258.5 million for the first quarter of 2017 from $239.9 million for the same period in 2016.

Community s interest expense on deposits increased $32 thousand, or 6.8%, for the quarter ended March 31, 2017, as compared to the same period last year. The increase was largely attributed to the increase in the average balance of savings accounts, which increased $18.1 million during the first quarter of 2017, as compared to the same period in 2016.

Community s interest expense on borrowed funds decreased $6 thousand, or 33.3%, for the quarter ended March 31, 2017, as compared to the same period last year. The decrease was largely attributed to the average balance of borrowed funds decreasing $3.6 million during the first quarter of 2017, as compared to the same period in 2016.

***Provision for Loan Losses.*** As of March 31, 2017, there was no provision for loan loss as compared to $100 thousand in the same period of 2016. The provision for loan losses reflects management s judgment concerning the risks inherent in Community s existing loan portfolio and the size of the allowance necessary to absorb the risks, as well as the activity in the allowance during the periods. Management reviews the adequacy of its allowance on an ongoing basis and will provide additional provisions, as management may deem necessary.

***Non-Interest Income.*** Community s non-interest income decreased $9 thousand, or 7.3%, to $114 thousand for the first quarter of 2017, as compared to the same period last year. The decrease for the first quarter of 2017, as compared to the same period in 2016, was largely due to a decrease in losses and write-downs in other real estate owned of $31 thousand offset by an increase in fees and service charges of $24 thousand due to an increase in origination fees on construction loans.

***Non-Interest Expense*.** Community s non-interest expenses decreased $67 thousand, or 3.0%, to $2.2 million for the first quarter of 2017, as compared to the same period last year. The decrease for the first quarter of 2017, as compared to the same period in 2016, was largely due to decreases in compensation and benefits of $35 thousand

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and federal deposit insurance premium of $52 thousand. The aforementioned decrease was offset by increases in professional service fees and other expenses.

***Income Taxes.*** Community s income tax expense, which includes both federal and state tax expenses, was $209 thousand for the three months ended March 31, 2017, compared to $142 thousand for the three months ended March 31, 2016. Community s effective tax rate was 34.3% and 26.2% for the quarters ended March 31, 2017 and 2016, respectively.

## COMPARISION OF FINANCIAL CONDITION AT MARCH 31, 2017 TO DECEMBER 31, 2016

***Total Assets.*** At March 31, 2017, Community s total assets were $355.7 million, an increase of $15.2 million, or 4.5%, as compared to total assets of $340.5 million at December 31, 2016. The increase in total assets was largely driven by growth in loans receivable of $7.0 million, or 3.0% and securities of $4.8 million, or 6.1%.

***Cash and Cash Equivalents.*** Community s cash and cash equivalents increased by $4.5 million to $18.0 million at March 31, 2017, or 5.1% of total assets, from $13.4 million, or 3.9%, of total assets, at December 31, 2016.

***Securities Portfolio.*** At March 31, 2017, Community s securities available for sale portfolio, was $83.9 million, compared to $79.1 million at December 31, 2016. The securities are held primarily for liquidity, interest rate risk management and profitability. Accordingly, Community s investment policy is to invest in securities with low credit risk, such as U.S. government agency obligations, state and political obligations and mortgage-backed securities.

Net unrealized losses in the available for sale securities portfolio were $867 thousand and $1.5 million at March 31, 2017 and December 31, 2016, respectively.

Other investments totaled $1.3 million at March 31, 2017 and at December 31, 2016. Community also held $1.3 million in time deposits with other financial institutions at March 31, 2017 and December 31, 2016.

***Loans.*** The loan portfolio comprises Community s largest class of earning assets. Total loans receivable, net of unearned income, increased $7.0 million, or 3.0%, to $236.1 million at March 31, 2017, as compared to $229.2 million at December 31, 2016.

The following table summarizes the composition of Community s gross loan portfolio by type:

| *(Dollars in thousands)* | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| Residential | | |
| One-to-four family | $ 138,376 | $ 137,037 |
| Revolving credit lines | 9,674 | 9,584 |
| Multi-family | 6,644 | 6,687 |
| Commercial real estate | 56,700 | 55,672 |
| Construction | 19,795 | 15,979 |
| Commercial and industrial | 3,789 | 3,001 |
| Consumer | 1,603 | 1,714 |
| Total gross loans | $ 236,581 | $ 229,674 |

***Loan and Asset Quality*.** The ratio of non-performing assets ( NPAs ), which include non-accrual loans, loans 90 days past due and still accruing, troubled debt restructured loans currently performing in accordance with renegotiated terms and other real estate owned, to total assets improved to 2.37% at March 31, 2017 from 2.58% at December 31, 2016. NPAs decreased $337 thousand, or 3.8%, to $8.4 million at March 31, 2017, as compared

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to $8.7 million at December 31, 2016. Non-accrual loans increased $1.2 million, or 25.6%, to $5.9 million at March 31, 2017, as compared to $4.7 million at December 31, 2016. Loans past due 30 to 89 days totaled $2.7 million at March, 31 2017, representing an increase of $158 thousand, or 5.5%, as compared to $2.9 million at December 31, 2016. The top five non-accrual loan relationships total $2.3 million, which equates to 38.4% of total non-accrual loans and 34.6% of total NPAs at March 31, 2017. The remaining non-accrual loans at March 31, 2017 have an average loan balance of $247 thousand.

Community continue to actively market its other real estate owned properties, which decreased $1.1 million due to two properties sold at $1.1 million to $410 thousand at March 31, 2017, as compared to $1.5 million at December 31, 2016. At March 31, 2017, Community s other real estate owned properties had an average carrying value of approximately $205 thousand per property.

The allowance for loan losses decreased by $133 thousand, or 4.3%, to $3.0 million, or 1.3% of total loans, at March 31, 2017, compared to $3.1 million, or 1.4% of total loans, at December 31, 2016. Community did not record a provision for loan losses for the three months ended March 31, 2017 due to increased credit metrics. Community recorded net charge-offs of $133 thousand for the quarter ended March 31, 2017, as compared to $427 thousand in net charge-offs for the quarter ended March 31, 2016. The allowance for loan losses as a percentage of non-accrual loans decreased to 51.0% at March 31, 2017 from 67.0% at December 31, 2016.

Community s management continues to monitor Community s asset quality and believes that the NPAs are adequately collateralized and anticipated material losses have been adequately reserved for in the allowance for loan losses. However, given the uncertainty of the current real estate market, additional provisions for losses may be deemed necessary in future periods. The following table provides information regarding risk elements in the loan portfolio at each of the periods presented:

| *(Dollars in thousands)* | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| Non-accrual loans | $ 5,895 | $ 4,694 |
| Non-accrual loans to total loans | 2.50% | 2.05% |
| Non-performing assets | $ 8,434 | $ 8,771 |
| Non-performing assets to total assets | 2.37% | 2.58% |
| Performing troubled debt restructured loans | 1,885 | 2,069 |
| Performing troubled debt restructured loans to total assets | 0.53% | 0.61% |
| Allowance for loan losses as a % of non-accrual loans | 50.84% | 66.68% |
| Allowance for loan losses to total loans | 1.27% | 1.37% |

A loan is considered impaired when based on current information and events, it is probable that Community will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Total impaired loans at March 31, 2017 were $8.2 million and at December 31, 2016 were $7.3 million. Impaired loans measured at fair value on a non-recurring basis decreased to $355 thousand on March 31, 2017 from $1.2 million at December 31, 2016. These balances consist of loans that were written down or required additional reserves during the periods ended March 31, 2017 and December 31, 2016, respectively. Impaired loans include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. Not all impaired loans and restructured loans are on non-accrual, and therefore not all are considered non-performing loans. Restructured loans still accruing totaled $1.9 million and $2.0 million at March 31, 2017 and December 31, 2016, respectively.

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Community also continues to monitor its portfolio for potential problem loans. Potential problem loans are defined as loans which cause management to have serious concerns as to the ability of such borrowers to comply with the present loan repayment terms and which may cause the loan to be placed on non-accrual status.

Further detail of the credit quality of the loan portfolio is included in Note 4 Allowance for Loan Losses and Credit Quality of Financing Receivables to Community s unaudited consolidated financial statements.

***Allowance for Loan Losses.*** The allowance for loan losses consists of general, allocated and unallocated components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and is based on historical charge-off experience and expected losses derived from Community s internal risk rating process. The unallocated component covers the potential for other adjustments that may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

Management of Community regularly assesses the appropriateness and adequacy of the loan loss reserve in relation to credit exposure associated with individual borrowers, overall trends in the loan portfolio and other relevant factors, and believes the reserve is reasonable and adequate for each of the periods presented.

At March 31, 2017, the total allowance for loan losses decreased by $133 thousand, or 4.3%, to $3.0 million, or 1.3% of total loans as compared to $3.1 million, or 1.4% of total loans, at December 31, 2016. Community recorded no provision for loan losses for the three months ended March 31, 2017. Community recorded net charge-offs of $133 thousand for the three months ended March 31, 2017, as compared to $427 thousand in net charge-offs for the three months ended March 31, 2016. The allowance for loan losses as a percentage of non-accrual loans increased to 51.0% at March 31, 2017 from 67.0% at December 31, 2016.

The table below presents information regarding Community s provision and allowance for loan losses for the three months ended March 31, 2017 and 2016:

| *(Dollars in thousands)* | **March 31, 2017** | **March 31, 2016** |
|---|---|---|
| Balance, beginning of period | $ 3,130 | $ 3,413 |
| Provision | | 100 |
| Charge-offs | (188) | (432) |
| Recoveries | 55 | 5 |
| Balance, end of period | $ 2,997 | $ 3,086 |

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The table below presents details concerning the allocation of the allowance for loan losses by loan class for each of the periods presented. The allocation is made for analytical purposes and it is not necessarily indicative of the categories in which future credit losses may occur. The total allowance is available to absorb losses from any category of loans.

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **Amount** | **Percentage of Loans In Each Category To Gross Loans** | **Amount** | **Percentage of Loans In Each Category To Gross Loans** |
| One-to-four family | $ 1,241 | 58.6% | $ 1,405 | 59.8% |
| Revolving credit lines | 62 | 4.1% | 62 | 4.2% |
| Multifamily | 65 | 2.8% | 75 | 2.9% |
| Commercial real estate | 976 | 24.0% | 984 | 24.3% |
| Construction | 275 | 8.4% | 235 | 7.0% |
| Commercial and industrial | 76 | 1.6% | 92 | 1.3% |
| Consumer | 38 | 0.5% | 41 | 0.5% |
| Unallocated | 264 | % | 236 | |
| Total | $ 2,997 | 100.0% | $ 3,130 | 100.0% |

***Bank-Owned Life Insurance ( BOLI ).*** Community s BOLI carrying value amounted to $7.8 million at March 31, 2017 and at December 31, 2016.

***Premises and Equipment.*** On November 16, 2016, Community entered into an agreement with a contractor to remodel and renovate its Maywood branch office with a remaining cost of $920 thousand which will be capitalized in premises and equipment upon completion.

***Deposits.*** Community s total deposits increased $14.0 million, or 4.6%, to $318.1 million at March 31, 2017, from $304.1 million at December 31, 2016. The increase in deposits was due to increases in interest bearing deposits of $13.2 million, or 5.4%, at March 31, 2017, as compared to December 31, 2016.

***Borrowings.*** Community s borrowings consist of short-term advances from the FHLB. The advances are secured under terms of a blanket collateral agreement by a pledge of qualifying mortgage loans. Community had $4.0 million in borrowings at FHLB, at a weighted average interest rate of 1.17% at March 31, 2017 and December 31, 2016. Please refer to Liquidity and Capital Resources *Off-Balance Sheet Arrangements*.

***Other Liabilities.*** Other liabilities increased $255 thousand, or 14.7%, to $2.0 million at March 31, 2017, from $1.7 million at December 31, 2016. The increase in other liabilities was mainly due to an increase of income tax payable of $169 thousand at March 31, 2017.

***Equity.*** Stockholders equity, inclusive of accumulated other comprehensive loss, net of income taxes, was $29.5 million at March 31, 2017, an increase of $779 thousand when compared to December 31, 2016. The increase was largely due to net income for the three months ended March 31, 2017.

**COMPARISON OF FINANCIAL CONDITION AT YEAR-END DECEMBER 31, 2016 AND 2015**

***Overview.*** At December 31, 2016, Community had total assets of $340.5 million compared to total assets of $325.3 million at December 31, 2015, an increase of $15.2 million, or 4.7%. Gross loans decreased $2.0 million, or 0.85%, to $229.2 million at December 31, 2016, from $231.1 million at December 31, 2015. Total deposits increased 5.6% to $304.1 million at December 31, 2016, from $287.9 million at December 31, 2015.

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***Cash and Cash Equivalents.*** Community s cash and cash equivalents increased $3.3 million, or 32.8%, at December 31, 2016 to $13.4 million from $10.1 million at December 31, 2015.

***Securities Portfolio.*** Community s securities portfolio is designed to provide interest income, including tax-exempt income, provide a source of liquidity, diversify the earning assets portfolio, allow for management of interest rate risk, and provide collateral for public fund deposits and borrowings. Securities are usually classified as available for sale. The portfolio is composed primarily of obligations of U.S. government agencies and government sponsored entities, including collateralized mortgage obligations issued by such agencies and entities, and tax-exempt municipal bonds.

Community periodically conducts reviews to evaluate whether unrealized losses on investment securities portfolio are deemed temporary or whether an other-than-temporary impairment has occurred. Various inputs to economic models are used to determine if an unrealized loss is other-than-temporary. All of Community s debt securities in an unrealized loss position have been evaluated as of December 31, 2016, and Community does not consider any security to be other-than-temporarily impaired. Community evaluated the prospects of the issuers in relation to the severity and the duration of the unrealized losses. Community s securities in unrealized loss positions are mostly driven by wider credit spreads and changes in interest rates. Based on that evaluation Community does not intend to sell any security in an unrealized loss position, and it is more likely than not that Community will not have to sell any of its securities before recovery of its cost basis.

Community s available for sale securities are carried at fair value, adjusted for amortization of premiums and accretion of discounts. Unrealized gains and losses on securities available for sale are excluded from results of operations, and are reported as a separate component of stockholders equity net of taxes. Securities classified as available for sale include securities that may be sold in response to changes in interest rates, changes in prepayment risk, the need to increase regulatory capital or other similar requirements. Management determines the appropriate classification of securities at the time of purchase.

The following table shows the carrying value of Community s available for sale security portfolio as of December 31, 2016, 2015 and 2014.

| | December 31, | | |
|---|---|---|---|
| *(Dollars in thousands)* | **2016** | **2015** | **2014** |
| U.S. government agencies | $ 37,577 | $ 24,908 | $ 13,923 |
| Municipal bonds | 6,530 | 11,784 | 17,249 |
| Mortgage-backed securities | | | |
| U.S. government-sponsored enterprises | 34,003 | 28,387 | 20,849 |
| Corporate bonds | 998 | 999 | |
| Total available for sale | $ 79,108 | $ 66,078 | $ 52,021 |

Community s securities available for sale, increased by $13.0 million, or 19.7%, to $79.1 million at December 31, 2016 from $66.1 million at December 31, 2015. During 2016, Community purchased $38.1 million in new securities and $23.5 million in securities matured, were called or were repaid. At December 31, 2016, there was an unrealized loss of $1.5 million in securities available for sale as compared to an unrealized loss of $23 thousand at December 31, 2015. The decline in market value is mainly attributable to an increase in market rates.

The securities portfolio contained no high-risk securities as of December 31, 2016.

The contractual maturity distribution and weighted average yield of Community s available for sale securities at December 31, 2016, are summarized in the following table. Securities available for sale are carried at amortized cost in the table for purposes of calculating the weighted average yield received on such securities. Weighted

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average yield is calculated by dividing income within each maturity range by the outstanding amount of the related investment and has not been tax-effected on the tax-exempt obligations.

| | Due under 1 Year | | Due 1-5 Years | | Due 5-10 Years | | Due over 10 Years | |
|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | **Amount** | **Yield** | **Amount** | **Yield** | **Amount** | **Yield** | **Amount** | **Yield** |
| Available for sale: | | | | | | | | |
| U.S. Government agencies | $ 2,000 | 0.96% | $ 31,101 | 1.35% | $ | % | $ 5,037 | 2.52% |
| Municipal bonds | 3,542 | 0.83% | 3,011 | 1.21% | | % | | % |
| Mortgage-backed securities - U.S. government-sponsored enterprises | | % | | % | | % | 34,915 | 2.19% |
| Corporate bonds | | % | 1,000 | 2.01% | | % | | % |
| Total Available for Sale | $ 5,542 | 0.88% | $ 35,112 | 1.36% | $ | % | $ 39,952 | 2.23% |

Community held $1.3 million in investments in restricted stock at December 31, 2016 that Community do not consider an investment security. Ownership of this restricted stock is required for memberships in the Federal Reserve Bank of New York, Atlantic Community Bankers Bank and Federal Home Loan Bank of New York.

***Loans.*** The loan portfolio comprises the largest component of Community s earning assets. Total loans receivable, net of unearned income, at December 31, 2016, decreased $2.0 million, or 0.85%, to $229.2 million from $231.1 million at December 31, 2015. Loan growth for 2016 occurred primarily in residential real estate loans (an increase of $2.9 million, or 1.9%) which was offset by a decrease in construction loans (a decrease of $5.3 million, or 24.9%).

The following table summarizes the composition of Community s loan portfolio by type as of December 31, 2012 through 2016:

| | December 31, | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | **2016** | **2015** | **2014** | **2013** | **2012** |
| Residential | | | | | |
| One-to-four family | $ 137,037 | $ 135,372 | $ 124,966 | $ 110,862 | $ 116,972 |
| Revolving credit lines | 9,584 | 9,076 | 9,746 | 9,940 | 13,257 |
| Multi-family | 6,687 | 5,960 | 5,108 | 4,493 | 6,175 |
| Commercial real estate | 55,672 | 54,895 | 57,565 | 57,476 | 60,177 |
| Construction | 15,979 | 21,286 | 21,111 | 14,483 | 14,259 |
| Commercial and industrial | 3,001 | 3,106 | 1,800 | 1,446 | 1,492 |
| Consumer | 1,714 | 1,918 | 2,724 | 2,470 | 2,680 |
| Total gross loans | $ 229,674 | $ 231,613 | $ 223,020 | $ 201,620 | $ 215,012 |

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The maturity ranges of the loan portfolio and the amounts of loans with predetermined interest rates and floating rates in each maturity range, as of December 31, 2016, are presented in the following table.

| | December 31, 2016 | | |
|---|---|---|---|
| *(Dollars in thousands)* | **Due Under 1 Year** | **Due 1-5 Years** | **Due Over 5 Years** |
| Residential | | | |
| One-to-four family | $ 191 | $ 3,117 | $ 133,729 |
| Revolving credit lines | | | 9,584 |
| Multi-family | | | 6,687 |
| Commercial real estate | 441 | 796 | 54,435 |
| Construction | 14,084 | 1,092 | 803 |
| Commercial and industrial | 565 | 673 | 1,763 |
| Consumer | 14 | 97 | 1,603 |
| Total loans | $ 15,295 | $ 5,775 | $ 208,604 |
| Interest rates: | | | |
| Fixed or predetermined | $ 190 | $ 3,968 | $ 80,033 |
| Floating or adjustable | 15,105 | 1,807 | 128,571 |
| Total loans | $ 15,295 | $ 5,775 | $ 208,604 |

***Loan and Asset Quality.*** NPAs consist of non-accrual loans, loans over 90 days delinquent and still accruing interest, troubled debt restructured loans still accruing and foreclosed real estate. Total NPAs decreased by $1.3 million, or 13.1%, to $8.8 million at year-end 2016 from $10.1 million at year-end 2015. The ratio of NPAs to total assets for December 31, 2016 and December 31, 2015 were 2.6% and 3.1%, respectively.

Community s non-accrual loan balance decreased $2.9 million, or 38.5%, to $4.7 million at December 31, 2016, from $7.6 million at December 31, 2015. Troubled debt restructured loans still accruing increased $739 thousand, or 55.6%, to $2.1 million at December 31, 2016, from $1.3 million at December 31, 2015. Other real estate owned assets increased $387 thousand to $1.5 million at December 31, 2016, from $1.1 million at December 31, 2015.

Management continues to monitor Community s asset quality and believes that the non-accrual loans are adequately collateralized and anticipated material losses have been adequately reserved for in the allowance for loan losses.

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The following table provides information regarding risk elements in the loan and securities portfolio as of December 31, 2012 through 2016.

| | December 31, | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | **2016** | **2015** | **2014** | **2013** | **2012** |
| Non-accrual loans: | | | | | |
| Residential | | | | | |
| One-to-four family | $ 2,399 | $ 4,924 | $ 4,119 | $ 4,271 | $ 6,451 |
| Revolving credit lines | 295 | 408 | 124 | 189 | 285 |
| Multi-family | 381 | | | | 803 |
| Commercial real estate | 1,619 | 2,298 | 1,926 | 2,024 | 2,819 |
| Construction | | | | 270 | 754 |
| Total non-accrual loans | 4,694 | 7,630 | 6,169 | 6,754 | 11,112 |
| Loans past due 90 days and still accruing | 487 | | | | 278 |
| Troubled debt restructured loans still accruing | 2,069 | 1,330 | 994 | 2,090 | 2,899 |
| Total non-performing loans | 7,250 | 8,960 | 7,163 | 8,844 | 14,289 |
| Other real estate owned | 1,521 | 1,134 | 780 | 5,959 | 6,427 |
| Total non-performing assets | $ 8,771 | $ 10,094 | $ 7,943 | $ 14,803 | $ 20,716 |
| Non-accrual loans to total loans, net of unearned income | 2.05% | 3.30% | 2.77% | 3.35% | 5.17% |
| Non-performing assets to total assets | 2.58% | 3.10% | 2.67% | 5.04% | 6.80% |
| Interest income received on nonaccrual loans | $ 357 | $ 230 | $ 326 | $ 252 | $ 421 |
| Interest income that would have been recorded under the original terms of the loans | $ 243 | $ 249 | $ 317 | $ 508 | $ 892 |

In addition to monitoring non-performing loans Community continues to monitor Community s portfolio for potential problem loans. Potential problem loans are defined as loans which cause management to have serious concerns as to the ability of such borrowers to comply with the present loan repayment terms and which may cause the loan to be placed on non-accrual status.

Future increases in the allowance for loan losses may be necessary based on the growth of the loan portfolio, the change in composition of the loan portfolio, possible future increases in non-performing loans and charge-offs, and the impact of deterioration of the real estate and economic environments in Community s lending region. Although Community uses the best information available, the level of allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. For additional information, see Critical Accounting Policies above and as more fully described in Note 1 to Community s consolidated financial statements included elsewhere in this report.

***Allowance for Loan Losses.*** The allowance for loan losses consists of general, specific and unallocated components. The specific component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows, collateral value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

The allowance contains reserves identified as unallocated. These reserves reflect management s attempt to ensure that the overall allowance reflects a margin for imprecision and the uncertainty that is inherent in estimates of probable credit losses. Management regularly assesses the appropriateness and adequacy of the loan loss reserve in relation to credit exposure associated with individual borrowers, overall trends in the loan portfolio and other relevant factors, and believes the reserve is reasonable and adequate for each of the periods presented.

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At December 31, 2016, the allowance for loan losses was $3.1 million, a decrease of $283 thousand, or 8.3%, from $3.4 million at December 31, 2015. The provision for loan losses was $100 thousand and there were $524 thousand in charge-offs and $141 thousand in recoveries during 2016. The allowance for loan losses as a percentage of total loans was 1.37% at December 31, 2016 compared to 1.48% at December 31, 2015. The decrease in allowance for loan losses as percentage of total loans is due to a decrease in both total loans of $2.0 million and allowance for loan losses of $283 thousand at December 31, 2016 as compared to December 31, 2015.

The table below presents information regarding Community s provision and allowance for loan losses for each of the periods presented.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | **2016** | **2015** | **2014** | **2013** | **2012** |
| Balance at beginning of year | $ 3,413 | $ 3,458 | $ 3,824 | $ 3,220 | $ 2,941 |
| Provision charged to operating expenses | 100 | 125 | 525 | 3,935 | 2,681 |
| Recoveries of loans previously charged-off: | | | | | |
| Residential | | | | | |
| One-to-four family | 21 | 121 | 40 | 92 | 95 |
| Revolving credit lines | 79 | 16 | 30 | 13 | 9 |
| Multi-family | | | | 5 | |
| Commercial real estate | 2 | | 39 | 91 | |
| Construction | | | 19 | | |
| Commercial and industrial | 37 | 1 | | 4 | 8 |
| Consumer | 2 | 20 | 52 | 23 | 6 |
| Total recoveries | 141 | 158 | 180 | 228 | 118 |
| Loans charged-off: | | | | | |
| Residential | | | | | |
| One-to-four family | 154 | 290 | 635 | 2,180 | 1,235 |
| Revolving credit lines | | | 6 | 193 | 154 |
| Multi-family | | | | 4 | 179 |
| Commercial real estate | 210 | 33 | 375 | 718 | 689 |
| Construction | | | | 431 | 192 |
| Commercial and industrial | 82 | | | 1 | 30 |
| Consumer | 78 | 5 | 55 | 32 | 41 |
| Total charge-offs | 524 | 328 | 1,071 | 3,559 | 2,520 |
| Net charge-offs | 383 | 170 | 891 | 3,331 | 2,402 |
| Balance at end of year | $ 3,130 | $ 3,413 | $ 3,458 | $ 3,824 | $ 3,220 |
| Net charge-offs to average loans outstanding | 0.17% | 0.07% | 0.42% | 1.63% | 1.11% |
| Allowance for loan losses to total loans | 1.37% | 1.48% | 1.55% | 1.90% | 1.50% |

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The table below presents details concerning the allocation of the allowance for loan losses to the various categories for each of the periods presented. The allocation is made for analytical purposes and it is not necessarily indicative of the categories in which future credit losses may occur. The total allowance is available to absorb losses from any category of loans.

| | Allowance for Loans Losses at December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | 2014 | |
| *(Dollars in thousands)* | **Amount** | **Percent of Loans in Each Category to Total** | **Amount** | **Percent of Loans in Each Category to Total** | **Amount** | **Percent of Loans in Each Category to Total** |
| Residential | | | | | | |
| One-to-four family | $ 1,405 | 59.7% | $ 1,492 | 58.4% | $ 1,374 | 56.0% |
| Revolving credit lines | 62 | 4.2% | 79 | 3.9% | 108 | 4.4% |
| Multi-family | 75 | 2.9% | 98 | 2.6% | 66 | 2.3% |
| Commercial real estate | 984 | 24.2% | 1,177 | 23.7% | 1,242 | 25.8% |
| Construction | 235 | 7.0% | 391 | 9.2% | 457 | 9.5% |
| Commercial and industrial | 92 | 1.3% | 30 | 1.3% | 31 | 0.8% |
| Consumer | 41 | 0.7% | 39 | 0.8% | 55 | 1.2% |
| Unallocated | 236 | | 107 | | 125 | |
| Total | $ 3,130 | 100.0% | $ 3,413 | 100.0% | $ 3,458 | 100.0% |

| | Allowance for Loans Losses at December 31, | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| *(Dollars in thousands)* | **Amount** | **Percent of Loans in Each Category to Total** | **Amount** | **Percent of Loans in Each Category to Total** |
| Residential | | | | |
| One-to-four family | $ 1,510 | 55.0% | $ 1,225 | 54.4% |
| Revolving credit lines | 115 | 4.9% | 264 | 6.2% |
| Multi-family | 62 | 2.5% | 222 | |