

SUSSEX BANCORP
Form S-4/A
October 27, 2017
Table of Contents

As filed with the Securities and Exchange Commission on October 27, 2017

Registration No. 333-219431

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

AMENDMENT NO. 1
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Sussex Bancorp
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of	6022 (Primary Standard Industrial	22-3475473 (I.R.S. Employer
incorporation or organization)	Classification Code Number) 100 Enterprise Drive, Suite 700 Rockaway, New Jersey 07866 (844) 256-7328	Identification Number)

(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.
Hogan Lovells US LLP
555 Thirteenth Street, NW
Columbia Square
Washington, D.C. 20004
(202) 637-5910

Edward C. Hogan, Esq.
Stevens & Lee
Princeton Pike Corporate Center
100 Lenox Drive, Suite 200
Lawrenceville, NJ 08648
(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

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

Accelerated filer

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)

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.

Table of Contents

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.

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 office of Sussex Bancorp, located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866 on December 15, 2017, at 12:00 p.m., local time. The special meeting of Community shareholders will be held at its Maywood Branch Office, 125 West Pleasant Avenue, Maywood, NJ 07607 on December 15, 2017, at 10:00 a.m., 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 expects to issue approximately 1,860,600 shares of its common stock in the merger. 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 October 20, 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 \$25.15, which after giving effect to the exchange ratio, has an implied value of approximately \$24.40 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.

Table of Contents

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 October 27, 2017, and is first being mailed to Sussex shareholders and Community shareholders on or about November 7, 2017.

Table of Contents

125 W. Pleasant Ave.

Maywood, NJ 07607

(201) 587-1221

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON DECEMBER 15, 2017

A special meeting of shareholders of Community Bank of Bergen County, NJ, or Community, will be held at its Maywood Branch Office, 125 West Pleasant Avenue, Maywood, NJ 07607 on December 15, 2017, at 10:00 a.m., 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 October 26, 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

October 27, 2017

Table of Contents

100 Enterprise Drive, Suite 700

Rockaway, New Jersey 07866

(844) 256-7328

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 15, 2017

A special meeting of shareholders of Sussex Bancorp, or Sussex, will be held at the office of Sussex Bancorp, located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866 on December 15, 2017, at 12:00 p.m., 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 October 26, 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

October 27, 2017

Table of Contents

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
100 Enterprise Drive, Suite 700
Rockaway, New Jersey 07866
Attention: Linda Kuipers
(844) 256-7328
www.sussexbank.com

Community Bank of Bergen County, NJ
125 W. Pleasant Ave.
Maywood, New Jersey 07607
Attention: Cecelia McMullen James
(201) 587-1221
www.cbcbnj.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 December 8, 2017, and in the case of Sussex shareholders, this means that you must make your request no later than December 8, 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 149.

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, if you are a Community shareholder, 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

Edgar Filing: SUSSEX BANCORP - Form S-4/A

2 Robbins Lane, Suite 201

Jericho, New York 11753

Banks and Brokers Call (516) 933-3100

All Others Call Toll-Free (888) 742-1305

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

Table of Contents

TABLE OF CONTENTS

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SHAREHOLDER MEETINGS</u>	1
<u>SUMMARY</u>	7
<u>The Companies</u>	7
<u>The Special Meeting of Shareholders of Community</u>	8
<u>The Special Meeting of Shareholders of Sussex</u>	9
<u>The Merger and the Merger Agreement</u>	10
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF SUSSEX BANCORP</u>	16
<u>SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF COMMUNITY BANK OF BERGEN COUNTY, NJ</u>	19
<u>SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA FOR SUSSEX BANCORP</u>	21
<u>UNAUDITED COMPARATIVE PER SHARE DATA</u>	27
<u>COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION</u>	28
<u>RISK FACTORS</u>	30
<u>INFORMATION REGARDING FORWARD-LOOKING STATEMENTS</u>	35
<u>INFORMATION ABOUT THE COMPANIES</u>	37
<u>Sussex Bancorp</u>	37
<u>Community Bank of Bergen County, NJ</u>	37
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	44
<u>THE SPECIAL MEETING OF COMMUNITY SHAREHOLDERS</u>	70
<u>Date, Time and Place of the Special Meeting</u>	70
<u>Purpose of the Special Meeting</u>	70
<u>Recommendation of the Community Board of Directors</u>	70
<u>Record Date; Outstanding Shares; Shares Entitled to Vote</u>	70
<u>Quorum</u>	70
<u>Share Ownership of Management; Voting Agreements</u>	71
<u>Voting of Proxies</u>	71
<u>How to Revoke Your Proxy</u>	71
<u>Voting in Person</u>	72
<u>Abstentions and Broker Non-Votes</u>	72
<u>Proxy Solicitation</u>	72
<u>Stock Certificates</u>	73
<u>COMMUNITY PROPOSALS</u>	74
<u>Merger Proposal</u>	74
<u>Adjournment Proposal</u>	74
<u>THE SPECIAL MEETING OF SUSSEX SHAREHOLDERS</u>	75
<u>Date, Time and Place of the Special Meeting</u>	75
<u>Purpose of the Special Meeting</u>	75
<u>Recommendation of the Sussex Board of Directors</u>	75
<u>Record Date; Outstanding Shares; Shares Entitled to Vote</u>	75
<u>Quorum</u>	75
<u>Share Ownership of Management</u>	76
<u>Voting of Proxies</u>	76

<u>How to Revoke Your Proxy</u>	76
<u>Voting in Person</u>	77
<u>Abstentions and Broker Non-Votes</u>	77
<u>Proxy Solicitation</u>	77
<u>SUSSEX PROPOSALS</u>	79
<u>Merger Proposal</u>	79
<u>Adjournment Proposal</u>	79

Table of Contents

	Page
<u>THE MERGER</u>	80
<u>General</u>	80
<u>Background of the Merger</u>	80
<u>Community's Reasons for the Merger</u>	83
<u>Recommendation of the Community Board of Directors</u>	85
<u>Opinion of FinPro Capital Advisors, Inc., Financial Advisor to Community</u>	85
<u>Interests of Community's Directors and Executive Officers in the Merger</u>	94
<u>Sussex's Reasons for the Merger</u>	97
<u>Recommendation of the Sussex Board of Directors</u>	99
<u>Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Sussex</u>	99
<u>Sussex and Sussex Bank's Boards of Directors After the Merger</u>	111
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	111
<u>Regulatory Approvals Required for the Merger</u>	113
<u>Accounting Treatment of the Merger</u>	115
<u>Dissenters' Rights</u>	115
<u>Restrictions on Sales of Shares by Certain Affiliates</u>	117
<u>Name Change of Combined Bank</u>	117
<u>Stock Exchange Listing</u>	117
<u>Delisting of Community Common Stock After the Merger</u>	117
<u>THE MERGER AGREEMENT</u>	118
<u>Structure</u>	118
<u>Effective Time and Timing of Closing</u>	118
<u>Sussex and Sussex Bank's Boards of Directors After the Merger</u>	119
<u>Consideration to be Received in the Merger</u>	119
<u>Community's 2002 Stock Option Plan</u>	119
<u>Exchange of Certificates; Dividends</u>	119
<u>Representations and Warranties</u>	120
<u>Conduct of Business Pending the Merger</u>	121
<u>Sussex and Community Shareholder Meetings</u>	124
<u>No Solicitation</u>	125
<u>Employee Benefits</u>	126
<u>Indemnification and Insurance</u>	127
<u>Voting Agreements</u>	127
<u>Additional Agreements</u>	128
<u>Conditions to Complete the Merger</u>	128
<u>Termination</u>	130
<u>Termination Fee</u>	132
<u>Waiver and Amendment</u>	132
<u>Expenses</u>	132
<u>Specific Performance</u>	132
<u>COMPARISON OF SHAREHOLDER RIGHTS</u>	133
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS</u>	140
<u>LEGAL MATTERS</u>	148
<u>EXPERTS</u>	148
<u>FUTURE SHAREHOLDER PROPOSALS</u>	148
<u>Sussex</u>	148
<u>HOUSEHOLDING OF PROXY MATERIALS</u>	148

<u>WHERE YOU CAN FIND MORE INFORMATION</u>	149
<u>ANNEX A AGREEMENT AND PLAN OF MERGER</u>	A-1
<u>ANNEX B OPINION OF FINPRO CAPITAL ADVISORS, INC.</u>	B-1
<u>ANNEX C OPINION OF KEEFE, BRUYETTE & WOODS, INC.</u>	C-1
<u>ANNEX D NEW JERSEY BANKING ACT CONCERNING DISSENTERS RIGHTS</u>	D-1
<u>CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF COMMUNITY BANK OF BERGEN COUNTY, NJ</u>	F-2
<u>CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS OF COMMUNITY BANK OF BERGEN COUNTY, NJ</u>	F-35

Table of Contents

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 .

Table of Contents

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 111.

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 first quarter of 2018, 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 least two-thirds of the shares of Community common

Table of Contents

stock 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 5.6% 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 its Maywood Branch Office, 125 West Pleasant Avenue, Maywood, NJ 07607 on December 15, 2017, at 10:00 a.m., local time. The special meeting of shareholders of Sussex will be held at the office of Sussex Bancorp, located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866 on December 15, 2017, at 12:00 p.m., 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 October 26, 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 October 26, 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.

Table of Contents

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.

Table of Contents

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 October 26, 2017 can vote in person at the Community special meeting, and shareholders of record on October 26, 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

100 Enterprise Drive, Suite 700

Rockaway, New Jersey 07866

Attention: Linda Kuipers, Corporate Secretary

Community Bank of Bergen County, NJ

125 W. Pleasant Ave.

Maywood, New Jersey 07607

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.

Table of Contents

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 149.

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, if you are a Community shareholder, 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, New York 11753

Banks and Brokers Call (516) 933-3100

All Others Call Toll-Free (888) 742-1305

Table of Contents

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 149. 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 June 30, 2017, Sussex had \$928.8 million in assets, \$710.5 million in deposits and \$92.3 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.

Table of Contents

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 June 30, 2017, Community had \$346.9 million in assets, \$308.5 million in deposits and \$30.1 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.cbcbnj.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 70)

Community will hold its special meeting of shareholders at its Maywood Branch Office, 125 West Pleasant Avenue, Maywood, NJ 07607 on December 15, 2017, at 10:00 a.m., local time.

Purpose of the Special Meeting (Page 70)

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 70)

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.

Table of Contents

Record Date; Outstanding Shares; Shares Entitled to Vote (Page 70)

Only holders of record of Community common stock at the close of business on the record date of October 26, 2017 are entitled to notice of and to vote at the special meeting. As of the record date, there were 1,918,144 shares of Community common stock outstanding, held of record by approximately 191 shareholders.

Quorum; Vote Required (Page 70)

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 the shares represented at the special meeting is required to approve the proposal to adjourn the special meeting.

Share Ownership of Management; Voting Agreements (Page 71)

As of the record date, the directors and executive officers of Community and their affiliates collectively owned 108,020 shares of Community common stock, or approximately 5.6% 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 5.6% of the outstanding shares of Community common stock.

The Special Meeting of Shareholders of Sussex

Date, Time and Place of the Special Meeting (Page 75)

Sussex will hold its special meeting of shareholders at office of Sussex Bancorp, located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866, on December 15, 2017, at 12:00 p.m., local time.

Purpose of the Special Meeting (Page 75)

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 75)

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 75)

Only holders of record of Sussex common stock at the close of business on the record date of October 26, 2017 are entitled to notice of and to vote at the special meeting. As of the record date, there were 6,040,180 shares of Sussex common stock outstanding, held of record by approximately 528 shareholders.

Table of Contents

Quorum; Vote Required (Page 75)

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 76)

As of the record date, the directors and executive officers of Sussex and their affiliates collectively owned 792,192 shares of Sussex common stock, or approximately 13.12% 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 118)

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 119)

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 119)

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) \$24.40 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.

Table of Contents

Opinion of FinPro Capital Advisors, Inc., Financial Advisor to Community (Page 85)

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 99)

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 94)

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.

Table of Contents

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 94 for a discussion of these financial interests.

Sussex and Sussex Bank's Boards of Directors After the Merger (Page 111)

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 Dominick J. D'Agosta and Walter E. Loeffler, current members of the Community board, 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 125)

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 128)

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;

Edgar Filing: SUSSEX BANCORP - Form S-4/A

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

Table of Contents

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 130)

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 January 31, 2018, 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.

Table of Contents

Termination Fee (Page 132)

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 132)

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 111)

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 113)

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 115)

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

Table of Contents

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 115)

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 117)

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 117)

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 133)

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 133.

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.**

Table of Contents**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 six months ended June 30, 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 six months ended June 30, 2017 and 2016 is not necessarily indicative of the results that may be expected for future periods.

	As of and for the six months ended June 30,		As of and for the Year Ended December 31				
	2017	2016	2016	2015	2014	2013	2012
<i>(dollars in thousands, except per share data)</i>							
SUMMARY OF INCOME:							
Interest income	\$ 16,810	\$ 13,725	\$ 29,160	\$ 23,644	\$ 21,300	\$ 19,642	\$ 19,960
Interest expense	3,166	2,262	4,762	3,568	3,294	3,201	3,800
Net interest income	13,644	11,463	24,398	20,076	18,006	16,441	16,160
Provision for loan losses	787	596	1,291	636	1,537	2,745	4,330
Noninterest income excluding gains on investment securities	4,218	4,078	7,385	6,182	5,672	5,700	5,200
Gains on sales of investment securities	77	272	444	271	289	393	1,790
Noninterest expenses	12,503	11,208	22,585	20,553	18,829	18,228	18,430
Income before income tax expense	4,649	4,009	8,351	5,340	3,601	1,561	4,000
Income tax provision	1,434	1,326	2,828	1,640	1,001	133	(320)
Net income available to common shareholders	\$ 3,215	\$ 2,683	\$ 5,523	\$ 3,700	\$ 2,600	\$ 1,428	\$ 730
PER SHARE DATA: WEIGHTED AVERAGE NUMBER OF SHARES: (1)							
Basic	4,755,018	4,584,536	4,619,124	4,559,316	4,541,305	3,781,562	3,261,800
Diluted	4,794,669	4,610,176	4,651,108	4,591,822	4,580,350	3,816,904	3,287,010
Basic earnings per share	\$ 0.68	\$ 0.59	\$ 1.20	\$ 0.81	\$ 0.57	\$ 0.38	\$ 0.22
Diluted earnings per share	0.67	0.58	1.19	0.81	0.57	0.37	0.22
Cash dividends (2)	0.10	0.08	0.16	0.16	0.09		
Book value per common share	15.27	12.15	12.67	11.61	10.99	10.03	11.80
Intangible book value per share (3)	14.81	11.55	12.08	11.00	10.38	9.42	11.00
BALANCE SHEET:							

Edgar Filing: SUSSEX BANCORP - Form S-4/A

Investment securities available for sale	\$ 98,067	\$ 94,797	\$ 88,611	\$ 93,776	\$ 77,976	\$ 90,676	\$ 118,88
Investment securities held to maturity	8,654	5,660	11,618	6,834	6,006	6,074	5,22
Loans, net	765,114	634,199	688,561	537,833	466,332	386,981	342,76
Goodwill and intangible assets	2,820	2,820	2,820	2,820	2,820	2,820	2,82
Total assets	928,827	789,812	848,728	684,503	595,915	533,911	514,73
Total deposits	710,487	594,824	660,921	517,856	458,270	430,297	432,43
Term borrowings	94,150	118,875	95,805	95,650	69,500	41,000	26,00

Table of Contents

<i>(in thousands, except per share data)</i>	As of and for the six months ended June 30,		As of and for the Year Ended December 31				2017
	2017	2016	2016	2015	2014	2013	
	<i>(unaudited)</i>						
Common stockholders equity	92,267	56,886	60,072	53,941	51,229	46,425	46,425
Total assets	878,632	725,583	770,470	627,298	559,885	529,152	529,152
Common stockholders equity	64,109	55,906	57,518	52,715	49,494	42,382	42,382
PERFORMANCE RATIOS:							
Return on average assets	0.73%	0.74%	0.72%	0.59%	0.46%	0.27%	0.27%
Return on average stockholders equity	10.03%	9.60%	9.60%	7.02%	5.25%	3.37%	3.37%
Return on equity/average assets	7.30%	7.70%	7.47%	8.40%	8.84%	8.01%	8.01%
Asset coverage ratio (4)	69.70%	70.88%	70.08%	77.47%	78.56%	80.89%	80.89%
Net interest margin, tax equivalent basis (5)	3.34%	3.39%	3.37%	3.45%	3.49%	3.41%	3.41%
Return on Deposits	107.69%	106.62%	104.18%	103.86%	101.76%	89.93%	89.93%
CAPITAL RATIOS: (6)							
Common Equity to Asset ratio	9.93%	7.20%	7.08%	7.88%	8.60%	8.70%	8.70%
Capital to average assets	12.64%	8.75%	10.41%	9.45%	10.19%	10.38%	10.38%
Capital to total risk-weighted assets	14.59%	10.50%	12.87%	11.74%	12.79%	14.21%	14.21%
Capital to total risk-weighted assets	15.51%	11.46%	13.86%	12.79%	14.02%	15.47%	15.47%
Common equity Tier 1 capital to total risk-weighted assets	14.59%	10.50%	12.87%	11.74%	N/A	N/A	N/A
RECONCILIATION OF TANGIBLE BOOK VALUE PER COMMON SHARE: (3)							
Common stockholders equity at end of period	\$ 92,267	\$ 56,886	\$ 60,072	\$ 53,941	\$ 51,229	\$ 46,425	\$ 46,425
Goodwill and intangible assets	(2,820)	(2,820)	(2,820)	(2,820)	(2,820)	(2,820)	(2,820)
Tangible common stockholders equity at end of period	\$ 89,447	\$ 54,066	\$ 57,252	\$ 51,121	\$ 48,409	\$ 43,605	\$ 43,605
Number of shares outstanding at end of period	6,041,002	4,680,697	4,741,068	4,646,238	4,662,606	4,629,113	3,390,000
Book value per share GAAP	\$ 15.27	\$ 12.15	\$ 12.67	\$ 11.61	\$ 10.99	\$ 10.03	\$ 10.03
Book value per share Non-GAAP	\$ 14.81	\$ 11.55	\$ 12.08	\$ 11.00	\$ 10.38	\$ 9.42	\$ 9.42
INTEREST MARGIN, TAX EQUIVALENT CALCULATION: (5)							
Net income (GAAP)	\$ 15,474	\$ 12,604	\$ 26,862	\$ 21,497	\$ 19,512	\$ 18,007	\$ 18,007
Provision for doubtful accounts, including fees	22	10	23	9	11	16	16
Provision for bad debts taxable	685	720	1,443	1,239	854	603	603
Provision for bad debts tax-exempt	629	391	832	899	923	1,016	1,016

Edgar Filing: SUSSEX BANCORP - Form S-4/A

Interest Income (GAAP)	16,810	13,725	29,160	23,644	21,300	19,642	1
Equivalent adjustments							
Less tax-exempt	318	193	415	449	439	519	
Tax equivalent adjustments	318	193	415	449	439	519	

Table of Contents

<i>(Dollars in thousands, except per share data)</i>	As of and for the six months ended June 30,		As of and for the Year Ended December 31				
	2017	2016	2016	2015	2014	2013	2012
	<i>(unaudited)</i>						
Interest income tax equivalent							
Loans receivable, including fees	\$ 15,474	\$ 12,604	\$ 26,862	\$ 21,497	\$ 19,512	\$ 18,007	\$ 17,646
Interest bearing deposits	22	10	23	9	11	16	35
Securities taxable	685	720	1,443	1,239	854	603	1,148
Securities tax-exempt	947	584	1,247	1,348	1,362	1,535	1,724
Total Interest income tax equivalent	17,128	13,918	29,575	24,093	21,739	20,161	20,553
Total Interest Expense (GAAP)	(3,166)	(2,262)	(4,762)	(3,568)	(3,294)	(3,201)	(3,800)
Tax-equivalent net interest income	\$ 13,962	\$ 11,656	\$ 24,813	\$ 20,525	\$ 18,445	\$ 16,960	\$ 16,753
Net interest income (GAAP)	\$ 13,644	\$ 11,463	\$ 24,398	\$ 20,076	\$ 18,006	\$ 16,441	\$ 16,167
Yields and costs:							
Yield on securities tax-exempt tax equivalent	4.09%	3.96%	3.85%	4.00%	4.38%	4.99%	5.49%
Yield on interest earning assets tax equivalent	4.10%	4.04%	4.02%	4.05%	4.11%	4.05%	4.32%
Cost of interest bearing liabilities (GAAP)	0.94%	0.82%	0.81%	0.74%	0.75%	0.75%	0.90%
Net Interest margin (GAAP)	3.27%	3.33%	3.31%	3.37%	3.41%	3.31%	3.40%
Net interest margin, tax equivalent basis	3.34%	3.39%	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.

Table of Contents

**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 six months ended June 30, 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 six months ended June 30, 2017 and 2016 is not necessarily indicative of the results that may be expected for future periods.

<i>(Dollars in thousands, except per share data)</i>	As of and for the six months ended June 30,		As of and for the Year Ended December 31				
	2017	2016	2016	2015	2014	2013	2012
	(unaudited)						
SUMMARY OF INCOME:							
Interest income	\$ 6,304	\$ 6,411	\$ 12,625	\$ 12,676	\$ 12,181	\$ 12,178	\$ 13,339
Interest expense	1,047	972	1,935	2,040	1,951	2,382	2,901
Net interest income	5,257	5,439	10,690	10,636	10,230	9,796	10,438
Provision for loan losses		100	100	125	525	3,935	2,681
Noninterest income excluding gains on investment securities and loss on sale of real estate owned	531	356	826	800	873	974	1,068
Gains on sales of investment securities			1	2	248	9	21
Noninterest expenses including loss on sale of real estate owned	4,664	4,467	8,897	8,698	9,385	9,136	8,654
Income before income tax expense	1,124	1,228	2,520	2,615	1,441	(2,292)	192
Income tax provision	382	353	856	784	245	(1,180)	(229)
Net income available to common shareholders	\$ 742	\$ 875	\$ 1,664	\$ 1,831	\$ 1,196	\$ (1,112)	\$ 421

PER SHARE DATA:

WEIGHTED
AVERAGE NUMBER
OF SHARES: (1)

Basic	1,918,144	1,918,144	1,918,144	1,918,144	1,918,144	1,918,144	1,918,529
Diluted	1,924,076	1,918,144	1,918,144	1,918,144	1,918,144	1,918,144	1,918,529
Basic earnings per share	\$ 0.39	\$ 0.46	\$ 0.87	\$ 0.95	\$ 0.62	\$ (0.58)	\$ 0.22
Diluted earnings per share	0.39	0.46	0.87	0.95	0.62	(0.58)	0.22
Cash dividends (2)	0.00	0.00	0.00	0.00	0.00	0.02	0.14
Book value per common share	15.70	15.31	14.96	14.57	13.68	12.99	13.70
Tangible book value per share (3)	15.70	15.31	14.96	14.57	13.68	12.99	13.70

BALANCE SHEET:

Investment securities available for sale	\$ 81,539	\$ 66,576	\$ 79,108	\$ 66,078	\$ 52,021	\$ 22,603	\$ 19,522
Investment securities held to maturity						35,392	34,960
Loans, net	231,100	225,807	226,026	227,712	219,003	197,245	211,243
Total assets	346,924	327,724	340,500	325,279	297,150	293,597	304,599

Table of Contents

As of and for the six months ended June 30, (unaudited)	As of and for the Year Ended December 31						2017
	2017	2016	2016	2015	2014	2013	
(in thousands, except per share data)							
Deposits	\$ 308,547	\$ 288,340	\$ 304,088	\$ 287,900	\$ 264,719	\$ 265,633	\$ 270,000
Borrowings	4,000	6,000	4,000	6,000	3,000		
Stockholders' equity	30,122	29,358	28,689	27,949	26,246	24,914	24,914
Total assets	353,105	329,535	331,800	312,930	293,427	300,439	300,000
Total stockholders' equity	29,411	28,640	29,071	27,230	25,549	24,234	24,234
PERFORMANCE RATIOS:							
Return on average assets	0.42%	0.53%	0.50%	0.59%	0.41%	-0.37%	
Return on average stockholders' equity	5.05%	6.11%	5.72%	6.72%	4.68%	-4.59%	
Return on equity/average assets	8.33%	8.69%	8.76%	8.70%	8.71%	8.07%	
Liquidity ratio (4)	80.58%	77.08%	77.11%	74.62%	74.81%	80.09%	
Net interest margin	3.19%	3.52%	3.38%	3.57%	3.72%	3.49%	
Cost of Deposits	74.90%	78.31%	74.33%	79.09%	82.73%	74.25%	
CAPITAL RATIOS: (5)							
Common Equity to Asset ratio	8.68%	8.96%	8.43%	8.59%	8.83%	8.49%	
Capital to average assets	8.30%	8.32%	8.45%	7.85%	7.91%	7.49%	
Capital to total risk-weighted assets	14.69%	13.87%	14.43%	12.88%	11.84%	11.10%	
Capital to total risk-weighted assets	15.95%	15.13%	15.69%	14.15%	13.09%	12.36%	
Common equity Tier 1 capital to total risk-weighted assets	14.69%	13.87%	14.43%	12.88%	NA	NA	
RECONCILIATION OF TANGIBLE BOOK VALUE PER COMMON SHARE: (3)							
Common stockholders' equity at end of period GAAP	\$ 30,122	\$ 29,358	\$ 28,689	\$ 27,949	\$ 26,246	\$ 24,914	\$ 24,914
Goodwill and intangible assets							
Tangible common stockholders' equity at end of period Non-GAAP	\$ 30,122	\$ 29,358	\$ 28,689	\$ 27,949	\$ 26,246	\$ 24,914	\$ 24,914
Shares outstanding at end of period	1,918,144	1,918,144	1,918,144	1,918,144	1,918,144	1,918,144	1,918,144
Book value per share GAAP	\$ 15.70	\$ 15.31	\$ 14.96	\$ 14.57	\$ 13.68	\$ 12.99	\$ 12.99
Tangible book value per share Non-GAAP	\$ 15.70	\$ 15.31	\$ 14.96	\$ 14.57	\$ 13.68	\$ 12.99	\$ 12.99

- (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) Bank capital ratios.

Table of Contents

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 June 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, 2016 and the balance sheet data below is presented as if the merger was completed on June 30, 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 six months ended June 30, 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 June 30, 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.

Table of Contents

See also the unaudited pro forma condensed combined financial statements and notes thereto beginning on page 140.

Pro Forma Balance Sheet

June 30, 2017

(dollars in thousands)	Sussex Bancorp	Community Bank of Bergen County	Acquisition Adjustments	Post Merger Pro Forma
Cash and cash Equivalents	7,650	12,692	(3,900)(a)	16,442
Interest bearing time deposits with other banks	100	1,300		1,400
Investment securities available for sale	98,067	81,539		179,606
Investment securities held to maturity	8,654			8,654
Federal Home Loan Bank Stock, at cost	5,386	1,301		6,687
Loans, net	765,114	231,100	(4,126)(b)(c)(d)	992,088
Premises and equipment, net	8,304	6,690	4,823 (e)	19,817
Foreclosed real estate	1,846	565		2,411
Accrued interest receivable	2,270	936		3,206
Goodwill	2,820		14,913 (h)	17,733
Other Intangibles			3,536 (f)	3,536
Bank-owned life insurance	21,766	7,864		29,630
Other Assets	6,850	2,937	380 (j)	10,167
Total Assets	928,827	346,924	15,626	1,291,377
Non-interest bearing	146,380	61,264		207,644
Interest bearing	564,107	247,283	1,265 (g)	812,655
Total Deposits	710,487	308,547	1,265 (g)	1,020,299
Short-term borrowings	39,150			39,150
Long-term borrowings	55,000	4,000		59,000
Subordinated Debt	27,843			27,843
Other Liabilities	4,080	4,255		8,335
Total Liabilities	836,560	316,802	1,265	1,154,627
Preferred Stock & Surplus				
Common Stock and Surplus	65,199	14,830	29,653 (a)(i)(j)	109,682
Deferred compensation obligation under Rabbi Trust	(1,352)			(1,352)
Retained Earnings	26,028	15,283	(15,283)(i)	26,028
Accumulated Other Comp Income	1,040	9	(9)(i)	1,040
Stock held by Rabbi Trust	1,352			1,352
Total Equity	92,267	30,122	14,361	136,750

Total Liabilities and Equity	928,827	346,924	15,626	1,291,377
-------------------------------------	---------	---------	--------	-----------

Per share information:

Shares outstanding	6,041,002	1,918,144	(57,544)(i)	7,901,602
Book value per common share	\$ 15.27 (k)	\$ 15.70 (k)		\$ 17.31 (k)
Tangible Book value per share	\$ 14.81 (k)	\$ 15.70 (k)		\$ 14.65 (k)

Table of Contents**Pro Forma Income Statement**

For 12 month period ending
December 31, 2016

(dollars in thousands)	Sussex Bancorp	Community Bank of Bergen County	Acquisition adjustments	Post merger Pro forma
Interest Income	29,160	12,625	(88)(c)	41,697
Interest Expense	4,762	1,935	(633)(g)	6,064
NET INTEREST INCOME	24,398	10,690	545	35,633
Provision For Loan Losses	1,291	100		1,391
Net Interest Income after Provision for Loan Losses	23,107	10,590	545	34,242
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)			(19)
Other	1,250	125		1,375
Total Noninterest Income	7,829	827		8,656
OTHER EXPENSE				
Salaries and employee benefits	13,078	4,661		17,739
Occupancy, net	1,859	544	62 (e)	2,465
Other expenses	7,648	3,692	643 (f)	11,983
Total Noninterest Expense	22,585	8,897	705	32,187
Net Income Before Taxes	8,351	2,520	(160)	10,711
EXPENSE FOR INCOME TAXES	2,828	856	(65)(j)	3,619
Net Income After Taxes	5,523	1,664	(95)	7,092
Net Income to Common Shares	5,523	1,664	(95)	7,092
Earnings per share, basic	\$ 1.20	\$ 0.87		\$ 1.09 (l)
Earnings per share, diluted	\$ 1.19	\$ 0.87		\$ 1.09 (l)
Average basic shares outstanding	4,619,124	1,918,144	(57,544)(i)	6,479,724
Average diluted shares outstanding	4,651,108	1,918,144	(57,544)(i)	6,512,708

	Sussex Bancorp	Community Bank of Bergen County	Acquisition adjustments	Capital Raise Adjustment	Post Merger and Capital Raise Pro Forma
Adjustment for June 2017 Capital Raise					

Edgar Filing: SUSSEX BANCORP - Form S-4/A

Earnings per share, basic	\$ 1.20	\$ 0.87		\$ 0.92 (1)	
Earnings per share, diluted	\$ 1.19	\$ 0.87		\$ 0.91 (1)	
Average basic shares outstanding	4,619,124	1,918,144	(57,544)(i)	1,249,999(m)	7,729,723
Average diluted shares outstanding	4,651,108	1,918,144	(57,544)(i)	1,249,999(m)	7,761,707

Table of Contents**Pro Forma Income Statement**For 6 month period ending June 30,
2017

(dollars in thousands)	Sussex Bancorp	Community Bank of Bergen County	Acquisition adjustments	Post merger Pro forma	
INTEREST INCOME					
Total Interest Income	16,810	6,304	(44)(c)	23,070	
Total Interest Expense	3,166	1,047	(316)(g)	3,897	
NET INTEREST INCOME	13,644	5,257	272	19,173	
Provision For Loan Losses	787			787	
Net Interest Income after Provision for Loan Losses	12,857	5,257	272	18,386	
OTHER INCOME					
Service fees on deposit accounts	538	272		810	
Bank-owned life insurance	234	96		330	
Insurance commissions and fees	2,890			2,890	
Investment brokerage fees	3			3	
Net gain on sales of securities	77			77	
Net loss on disposal of premises and equipment					
Other	553	163		716	
Total Noninterest Income	4,295	531		4,826	
OTHER EXPENSE					
Salaries and employee benefits	7,235	2,312		9,547	
Occupancy, net	956	427	30 (e)	1,413	
Other expenses	4,312	1,925	(391)(a)(f)	5,846	
Total Noninterest Expense	12,503	4,664	(361)	16,806	
Net Income Before Taxes	4,649	1,124	633	6,406	
EXPENSE FOR INCOME TAXES	1,434	382	258(j)	2,074	
Net Income After Taxes	3,215	742	375	4,332	
Net Income to Common Shares	3,215	742	375	4,332	
Earnings per share, basic	\$ 0.68	\$ 0.39		\$ 0.65 (l)	
Earnings per share, diluted	\$ 0.67	\$ 0.39		\$ 0.65 (l)	
Average basic shares outstanding	4,755,018	1,918,144	(57,544)(i)	6,615,618	
Average diluted shares outstanding	4,794,669	1,924,076	(63,476)(i)	6,655,269	
Adjustment for June 2017 Capital Raise	Sussex Bancorp	Community Bank of Bergen County	Acquisition adjustments	Capital Raise Adjustment	Post Merger and Capital Raise Pro

						Forma	
Earnings per share, basic	\$	0.68	\$	0.39		\$ 0.56 (1)	
Earnings per share, diluted	\$	0.67	\$	0.39		\$ 0.55 (1)	
Average basic shares outstanding		4,755,018		1,918,144	(57,544)(i)	1,188,186(m)	7,803,804
Average diluted shares outstanding		4,794,669		1,924,076	(63,476)(i)	1,188,186(m)	7,843,455

- (a) The adjustment includes the assumption that the cost for Investment Banking and Legal Advisors will be \$1.4 million and that \$265 thousand will be paid to holders of in-the-money Community stock options. Also, included in the adjustment is the assumption that compensation will be 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. During the six months ended June 30, 2017 Sussex recognized \$481 thousand and Community recognized \$232 thousand in expense related to merger; these amounts have been removed from the Pro Forma Income Statement.

Table of Contents

- (b) The pro forma adjustment to loans, net of \$4.1 million includes a negative \$7.3 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 \$351 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 \$2.9 million.
- (e) Represents the pro forma fair value adjustment to real estate of \$4.8 million and 50.1% of which 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	\$ 46,794
Less: Community Equity	(30,122)
Estimated adjustments to reflect assets acquired at fair value	
Loans:	
Interest rate mark	351
Credit mark	(7,347)
Allowance for loan losses	2,870
Core deposit intangible	3,536
Fixed assets	4,823
Estimated adjustments to reflect liabilities acquired at fair value	
Fair value of deposits	(1,265)
Deferred Tax Liability	(1,209)
Total adjustments	(1,759)
 Goodwill resulting from the merger	 \$ 14,913

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 \$25.15, the price of Sussex common stock on October 20, 2017, the most recent price at the time of filing:

	Purchase Price	Estimated Goodwill
Up 20%	\$ 56,153	\$ 24,272
Up 10%	51,473	19,592
As presented in pro forma financial information	46,794	14,913
Down 10%	42,115	10,234

Down 20%	37,435	5,554
-----------------	--------	-------

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

Table of Contents

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

Community shares outstanding, June 30, 2017	1,918,144
Percent of Community common shares to be converted to Sussex	100%
Community shares settled for stock	1,918,144
Exchange ratio	0.97
Sussex stock to be issued	1,860,600
Market price per share of Sussex common stock on October 20, 2017, the most recent stock price at the time of filing	\$ 25.15
Total market value of Sussex common stock to be issued	\$ 46,794
Total purchase price of Community	\$ 46,794
Proforma adjustment to capital	
Fair value of Sussex shares to be issued, including stock options	\$ 46,794
Elimination of Community's equity	(30,122)
After tax acquisition expenses Sussex	(2,311)
Total stockholders' equity adjustment for acquisition	\$ 14,361

- (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) 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.
- (l) 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.
- (m) On June 21, 2017, the Company issued 1,249,999 shares as part of a common stock offering that raised capital of \$30.0 million less underwriting discount and issuance costs of 6.5%. The capital raise adjustment is calculated by dividing the number of shares issued by the number of days in the period and multiplying that result by the number of days in the period that preceded the issuance.

Table of Contents**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 Pro Forma Combined(1)	Community Pro Forma Equivalent Per Share(2)
	Sussex	Community		
Basic Earnings				
Year ended December 31, 2016	\$ 1.20	\$ 0.87	\$ 1.09	\$ 1.06
Six months ended June 30, 2017	\$ 0.68	\$ 0.39	\$ 0.65	\$ 0.64
Diluted Earnings				
Year ended December 31, 2016	\$ 1.19	\$ 0.87	\$ 1.09	\$ 1.06
Six months ended June 30, 2017	\$ 0.67	\$ 0.39	\$ 0.65	\$ 0.63
Cash Dividends Paid				
Year ended December 31, 2016	\$ 0.16		\$ 0.16	\$ 0.16
Six months ended June 30, 2017	\$ 0.10		\$ 0.10	\$ 0.10
Book Value				
December 31, 2016	\$ 12.67	\$ 14.96	\$ 15.45	\$ 14.99
June 30, 2017	\$ 15.27	\$ 15.70	\$ 17.31	\$ 16.79

- (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.

Table of Contents**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 October 20, 2017, the last practicable trading day prior to the date of this joint proxy statement/prospectus, there were 6,040,180 shares of Sussex common stock outstanding, which were held by 528 shareholders of record, and 1,918,144 shares of Community common stock outstanding, which were held by 191 shareholders of record.

<i>For the calendar quarterly period ended:</i>	Sussex			Community		
	High	Low	Dividends Declared	High	Low	Dividends Declared ⁽¹⁾
2017						
March 31, 2017	\$ 26.45	\$ 19.55	\$ 0.04	\$ 13.90	\$ 13.90	
June 30, 2017	28.55	23.55	0.06	25.47	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 October 20, 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
October 20, 2017	\$ 25.15	\$ 23.80	\$ 24.40

(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.

Table of Contents

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 149.

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.

Table of Contents

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 149.

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 30.80% 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 23.55%. 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.

Table of Contents

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 133 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;

Table of Contents

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 94 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

Table of Contents

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 130 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.

Table of Contents

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.

Table of Contents

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 statements are 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;

Table of Contents

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.

Table of Contents

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 June 30, 2017, Sussex had \$928.8 million in assets, \$710.5 million in deposits and \$92.3 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

Edgar Filing: SUSSEX BANCORP - Form S-4/A

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, Maywood, New Jersey and the

Table of Contents

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 June 30, 2017, Community had \$346.9 million in assets, \$308.5 million in deposits and \$30.1 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.cbncnj.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

Table of Contents

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).

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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 its 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.

Table of Contents

**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 six month periods ended June 30, 2017 and June 30, 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.

Table of Contents

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 June 30, 2017, 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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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, \$444,900 and \$386,650 as of June 30, 2017, 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

Table of Contents

carried at its cost of \$60,000 as of June 30, 2017, 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 \$546,100, \$530,700 and \$597,500 as of June 30, 2017, 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 June 30, 2017, 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.

Table of Contents

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.

COMPARISON OF OPERATING RESULTS FOR SIX MONTHS ENDED JUNE 30, 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.

Table of Contents**COMPARISON OF OPERATING RESULTS FOR SIX MONTHS ENDED JUNE 30, 2017 AND 2016**

Overview For the six months ended June 30, 2017, Community reported net income of \$742 thousand, or \$0.39 per basic and diluted common share, as compared to \$875 thousand, or \$0.46 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 six month periods ended June 30, 2017 and 2016:

(Dollars in thousands)	Six Months Ended June 30,					
	2017			2016		
	Average Balance	Interest	Average Rate (2)	Average Balance	Interest	Average Rate (2)
Earning Assets:						
Securities:						
Tax exempt	\$ 5,591	\$ 30	1.08%	\$ 10,306	\$ 51	0.99%
Taxable	77,038	748	1.96%	55,391	481	1.74%
Total securities	82,629	778	1.90%	65,697	532	1.62%
Total loans receivable (1) (3)	235,361	5,457	4.68%	233,756	5,848	5.02%
Other interest-earning assets	14,669	69	0.95%	10,343	31	0.60%
Total earning assets	332,659	\$ 6,304	3.82%	\$ 309,796	\$ 6,411	4.15%
Non-interest earning assets	23,477			22,925		
Allowance for loan losses	(3,031)			(3,186)		
Total Assets	\$ 353,105			\$ 329,535		
Sources of Funds:						
Total interest bearing deposits	\$ 254,428	\$ 1,023	0.81%	\$ 233,658	\$ 939	0.81%
Borrowed funds	4,127	24	1.17%	7,085	33	0.93%
Total interest bearing liabilities	258,555	\$ 1,047	0.82%	\$ 240,743	\$ 972	0.81%
Non-interest bearing liabilities:						
Demand deposits	61,272			56,548		
Other liabilities	3,867			3,604		
Total non-interest bearing liabilities	65,139			60,152		
Stockholders' equity	29,411			28,640		
Total Liabilities and Stockholders' Equity	\$ 353,105			\$ 329,535		
Net Interest Income and Net Interest Margin (4)		\$ 5,257	3.19%		\$ 5,439	3.52%

- (1) Includes loan fee income.
- (2) Average rates on securities are calculated on amortized costs.
- (3) Loans outstanding include non-accrual loans.
- (4) 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.

Net interest income decreased \$182 thousand, or 3.3%, to \$5.3 million for the first six months of 2017, as compared to \$5.4 million for the same period in 2016. The decrease in net interest income was largely due to a

Table of Contents

decrease in interest income on loans of \$391 thousand which was partially offset by a \$246 thousand increase in interest and dividend income on securities. Additionally, the decrease in net interest income was due to a \$20.8 million, or 8.9%, increase in average interest bearing deposits, principally savings accounts, which increased \$22.0 million, or 31.5%, causing total interest expense to increase by \$75 thousand.

Interest Income Community's total interest income decreased \$107 thousand, or 1.7%, to \$6.3 million for the six months ended June 30, 2017, as compared to the same period last year.

Community's total interest income on loans receivable decreased \$391 thousand or 6.7%, to \$5.5 million for the first six months of 2017, as compared to the same period in 2016. The decrease in interest income on loans receivable was largely due to a decrease of \$192 thousand relating to interest received on non-accrual loans in the second quarter of 2017. Additionally, the decrease in interest income on loans receivable was due to a 34 basis point decline in the average yield to 4.68% for the six months ended June 30, 2017, as compared to the same period in 2016.

Community's total interest income on securities increased \$246 thousand or 46.2%, to \$778 thousand for the six months ended June 30, 2017 from \$532 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 \$16.9 million to \$82.6 million and a 28 basis point increase in the average yield to 1.90% for the six months ended June 30, 2017, as compared to the same period in 2016.

Interest Expense Community's interest expense for the six months ended June 30, 2017 increased \$75 thousand, or 7.7%, to \$1.0 million from \$972 thousand for the same period in 2016. The increase was principally due to higher average balances in interest-bearing liabilities, which increased \$17.8 million, or 7.4%, to \$258.6 million for the first six months of 2017 from \$240.7 million for the same period in 2016.

Community's interest expense on deposits increased \$84 thousand, or 9.0%, for the six months ended June 30, 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 \$22.0 million during the first six months of 2017, as compared to the same period in 2016.

Community's interest expense on borrowed funds decreased \$9 thousand, or 27.3%, for the six months ended June 30, 2017, as compared to the same period last year. The decrease was largely attributed to the average balance of borrowed funds decreasing \$3.0 million during the first six months of 2017, as compared to the same period in 2016.

Provision for Loan Losses As of June 30, 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 increased \$144 thousand, or 46.2%, to \$456 thousand for the first six months of 2017, as compared to the same period last year. The increase for the first six months of 2017, as compared to the same period in 2016, was largely due to a legal matter resulting in approximately \$140 thousand in additional income.

Non-Interest Expense Community's non-interest expenses increased \$166 thousand, or 3.8%, to \$4.6 million for the first six months of 2017, as compared to the same period last year. The increase for the first six months of 2017, as compared to the same period in 2016, was largely due to increases in professional services fees of \$277 thousand, or

81.7%, mainly driven by \$232 thousand in merger related expenses.

Table of Contents

Income Taxes Community's income tax expense, which includes both federal and state tax expenses, was \$382 thousand for the six months ended June, 2017, compared to \$353 thousand for the six months ended June 30, 2016. Community's effective tax rate was 34.0% and 28.7% for the six months ended June 30, 2017 and 2016, respectively.

COMPARISON OF FINANCIAL CONDITION AT JUNE 30, 2017 TO DECEMBER 31, 2016

Total Assets At June 30, 2017, Community's total assets were \$346.9 million, an increase of \$6.4 million, or 1.9%, 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 \$4.8 million, or 2.1% and securities of \$2.4 million, or 3.1%.

Cash and Cash Equivalents Community's cash and cash equivalents decreased by \$728 thousand to \$12.7 million at June 30, 2017, or 3.7% of total assets, from \$13.4 million, or 3.9%, of total assets, at December 31, 2016.

Securities Portfolio At June 30, 2017, the securities available for sale portfolio was \$81.5 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 \$348 thousand and \$1.5 million at June 30, 2017 and December 31, 2016, respectively.

Other investments totaled \$1.3 million at June 30, 2017 and at December 31, 2016. We also held \$1.3 million in time deposits with other financial institutions at June 30, 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 \$4.8 million, or 2.1%, to \$234.0 million at June 30, 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:

<i>(Dollars in thousands)</i>	June 30, 2017	December 31, 2016
Residential		
One-to-four family	\$ 141,345	\$ 137,037
Revolving credit lines	9,321	9,584
Multi-family	8,795	6,687
Commercial real estate	55,058	55,672
Construction	14,203	15,979
Commercial and industrial	4,188	3,001
Consumer	1,520	1,714
Total gross loans	\$ 234,430	\$ 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 2.28% at June 30, 2017 from 2.58% at December 31, 2016. NPAs decreased \$847 thousand, or 9.7%, to \$7.9 million at June 30, 2017, as compared to \$8.8 million at December 31, 2016. Non-accrual loans increased \$751 thousand, or 16.0%, to \$5.4 million at June 30, 2017, as compared to \$4.7 million at December 31, 2016. Loans past due 30 to 89 days totaled \$1.5 million at June 30, 2017, representing an decrease of \$1.4 million, or 48.2%, as compared to \$2.9 million at December 31, 2016. The top five non-accrual loan relationships total \$2.2 million, which equates to 41.3% of

Table of Contents

total non-accrual loans and 33.7% of total NPAs at June 30, 2017. The remaining non-accrual loans at June 30, 2017 have an average loan balance of \$162 thousand.

Community continues to actively market Community's other real estate owned properties, which decreased \$956 thousand to \$565 thousand at June 30, 2017 due to two properties sold for \$1.1 million, as compared to \$1.5 million at December 31, 2016. At June 30, 2017, Community's other real estate owned properties had an average carrying value of approximately \$188 thousand per property.

The allowance for loan losses decreased by \$260 thousand, or 8.3%, to \$2.9 million, or 1.2% of total loans, at June 30, 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 six months ended June 30, 2017. Community recorded net charge-offs of \$133 thousand for the six months ended June, 2017, as compared to \$427 thousand in net charge-offs for the six months ended June 30, 2016. The allowance for loan losses as a percentage of non-accrual loans decreased to 52.7% at June 30, 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:

<i>(Dollars in thousands)</i>	June 30, 2017	December 31, 2016
Non-accrual loans	\$ 5,445	\$ 4,694
Non-accrual loans to total loans	2.33%	2.05%
Non-performing assets	\$ 7,924	\$ 8,771
Non-performing assets to total assets	2.28%	2.58%
Allowance for loan losses as a % of non-accrual loans	52.71%	66.68%
Allowance for loan losses to total loans	1.23%	1.37%

A loan is considered impaired when based on current information and events, it is probable that we will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Total impaired loans at June 30, 2017 were \$7.4 million and at December 31, 2016 were \$7.3 million. Impaired loans measured at fair value on a non-recurring basis remained at \$1.2 million at June 30, 2017 and December 31, 2016. These balances consist of loans that were written down or required additional reserves during the periods ended June 30, 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 \$2.1 million at June 30, 2017 and December 31, 2016, respectively.

Community also 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.

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.

Table of Contents

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 June 30, 2017, the total allowance for loan losses decreased by \$260 thousand, or 8.3%, to \$2.9 million, or 1.2% 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 six months ended June 30, 2017. Community recorded charge-offs of \$371 thousand for the six months ended June 30, 2017, as compared to \$432 thousand in charge-offs for the six months ended June 30, 2016. The allowance for loan losses as a percentage of non-accrual loans decreased to 52.7% at June 30, 2017 from 67.0% at December 31, 2016.

The table below presents information regarding Community's provision and allowance for loan losses for the six months ended June 30, 2017 and 2016:

<i>(Dollars in thousands)</i>	June 30, 2017	June 30, 2016
Balance, beginning of period	\$ 3,130	\$ 3,413
Provision		100
Charge-offs	(371)	(432)
Recoveries	111	9
Balance, end of period	\$ 2,870	\$ 3,090

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.

<i>(Dollars in thousands)</i>	June 30, 2017		December 31, 2016	
	Amount	Percentage of Loans In Each Category To Gross Loans	Amount	Percentage of Loans In Each Category To Gross Loans

Edgar Filing: SUSSEX BANCORP - Form S-4/A

One-to-four family	\$ 1,376	50.3%	\$ 1,405	59.8%
Revolving credit lines	85	3.1%	62	4.2%
Multifamily	101	3.7%	75	2.9%
Commercial real estate	955	35.0%	984	24.3%
Construction	97	3.6%	235	7.0%
Commercial and industrial	77	2.8%	92	1.3%
Consumer	40	1.5%	41	0.5%
Unallocated	139	%	236	
Total	\$ 2,870	100.0%	\$ 3,130	100.0%

Table of Contents

Bank-Owned Life Insurance (BOLI) Community's BOLI carrying value amounted to \$7.9 million at June 30, 2017 and \$7.8 million at December 31, 2016.

Premises and Equipment On November 16, 2016, we entered into an agreement with a contractor to remodel and renovate Community's Maywood branch office with a remaining cost of \$320 thousand which will be capitalized in premises and equipment upon completion.

Deposits Community's total deposits increased \$4.5 million, or 1.5%, to \$308.5 million at June 30, 2017, from \$304.1 million at December 31, 2016. The increase in deposits was due primarily to increases in interest bearing deposits of \$3.5 million, or 1.4%, at June 30, 2017, as compared to December 31, 2016.

Borrowings Community's total borrowings consist of advances from the FHLB. The advances are secured under terms of a blanket collateral agreement by a pledge of qualifying mortgage loans. We had \$4.0 million in borrowings at FHLB, at a weighted average interest rate of 1.17% at June 30, 2017 and December 31, 2016. Please refer to Liquidity and Capital Resources *Off-Balance Sheet Arrangements*.

Other Liabilities Other liabilities increased \$199 thousand, or 11.5%, to \$2.0 million at June 30, 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 June 30, 2017.

Equity Stockholders' equity, inclusive of accumulated other comprehensive income, net of income taxes, was \$30.1 million at June 30, 2017, an increase of \$1.4 million when compared to December 31, 2016. The increase was largely due to net income for the six months ended June 30, 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.

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

Table of Contents

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.

<i>(Dollars in thousands)</i>	December 31,		
	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 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.

<i>(Dollars in thousands)</i>	Due under 1 Year		Due 1-5 Years		Due 5-10 Years		Due over 10 Years	
	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%).

Table of Contents

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

<i>(Dollars in thousands)</i>	December 31,				
	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

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.

<i>(Dollars in thousands)</i>	December 31, 2016		
	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.

Table of Contents

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

<i>(Dollars in thousands)</i>	December 31,				
	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.

Table of Contents

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.

<i>(Dollars in thousands)</i>	Year Ended December 31,				
	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%

Table of Contents

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	
	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
<i>(Dollars in thousands)</i>						
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	
	Amount	Percent of Loans in Each Category to Total	Amount	Percent of Loans in Each Category to Total
<i>(Dollars in thousands)</i>				
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	2.9%
Commercial real estate	1,355	28.5%	1,149	28.0%
Construction	356	7.2%	188	6.6%
Commercial and industrial	18.	0.7%	50	0.7%
Consumer	200	1.2%	122	1.2%
Unallocated	46			
Total	\$ 3,824	100.0%	\$ 3,220	100.0%

Premises and Equipment. Net premises and equipment decreased by \$183 thousand, or 3.1%, from \$5.9 million at December 31, 2015 to \$5.8 million at December 31, 2016.

Other Real Estate Owned. Other real estate owned increased by \$387 thousand, or 34.1%, from \$1.1 million at December 31, 2015 to \$1.5 million at December 31, 2016, due to the addition of 4 new properties at \$1.5 million offset by the sale of 6 properties at \$1.1 million.

Bank-owned Life Insurance. Community s BOLI carrying value increased to \$7.8 million at December 31, 2016 from \$7.6 million at December 31, 2015. The increase was principally from \$196 thousand in net earnings on BOLI policies in 2016.

Deposits. Total deposits increased \$16.2 million, or 5.6%, to \$304.1 million at December 31, 2016, from \$287.9 million at December 31, 2015. The increase in deposits was due to increases in interest bearing demand

Table of Contents

deposits of \$22.1 million, or 15.6% and non-interest bearing transaction deposits of \$8.2 million, or 15.8%, which was partially offset by a decrease in time deposits of \$14.2 million, or 15.0%, for December 31, 2016, as compared to December 31, 2015. Community's funding mix continued to improve as non-interest deposits increased.

Total average deposits increased \$17.3 million from \$277.9 million for the year ended December 31, 2015 to \$295.2 million for the year ended December 31, 2016, a 6.2% increase. Average interest bearing demand accounts increased \$9.1 million, or 14.5%, from \$62.4 million for 2015 to \$71.5 million for 2016. Average non-interest bearing demand accounts increased \$5.2 million, or 9.5% from \$54.9 million for 2015 to \$60.1 million for 2016. Average savings accounts increased \$14.5 million or 24.1%, from \$60.4 million for 2015 to \$74.9 million for 2016. Average time deposits decreased \$10.8 million, or 11.6%, from \$93.7 million for 2015 to \$82.9 million for 2016. Average money market balances decreased \$662 thousand, or 10.1%, from \$6.6 million for 2015 to \$5.9 million for 2016.

The average balances and average rates paid on deposits for 2016, 2015 and 2014 are presented below.

<i>(Dollars in thousands)</i>	Year Ended December 31,					
	2016 Average		2015 Average		2014 Average	
	Balance	Rate	Balance	Rate	Balance	Rate
Demand, non-interest bearing	\$ 60,062		% \$ 54,872		% \$ 52,027	
Demand, interest bearing	71,471	0.58%	62,414	0.59%	61,692	0.59%
Money market	5,904	0.32%	6,566	0.35%	3,759	0.67%
Savings	74,908	0.51%	60,363	0.39%	47,071	0.15%
Time	82,850	1.28%	93,664	1.45%	96,319	1.53%
Total deposits	\$ 295,195	0.64%	\$ 277,879	0.71%	\$ 260,868	0.74%

The remaining maturity for certificates of deposit accounts of \$100,000 or more as of December 31, 2016 is presented in the following table.

<i>(Dollars in thousands)</i>	
1 year or less	\$ 17,491
Over 1 year to 3 years	5,286
Over 3 years	5,840
Total	\$ 28,617

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 December 31, 2016. Please refer to Liquidity and Capital Resources Off-Balance Sheet Arrangements.

Equity. Stockholders' equity inclusive of AOCI, net of income taxes, was \$28.7 million at December 31, 2016, an increase of \$740 thousand, from the \$27.9 million at year-end 2015. The increase in stockholders' equity was mostly due to \$1.7 million in net income in 2016.

COMPARISON OF OPERATING RESULTS FOR YEAR-END DECEMBER 31, 2016 AND 2015

Overview. For the year ended December 31, 2016, the Company reported net income of \$1.7 million, or \$0.87 per basic and diluted share, as compared to net income of \$1.8 million, or \$0.95 per basic and diluted share, for the same period last year. The decrease in net income for the year ended December 31, 2016 was primarily attributed to increases in certain non-interest expenses.

Table of Contents

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.

Comparative Average Balance 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 each of the years ended December 31, 2016, 2015 and 2014. The average balances of loans include non-accrual loans, and associated yields include loan fees, which are considered adjustment to yields.

	Year Ended December 31,								
	2016			2015			2014		
(Dollars in thousands)	Average Balance	Interest	Average Rate (2)	Average Balance	Interest	Average Rate (2)	Average Balance	Interest	Average Rate (2)
Earning Assets:									
Securities:									
Tax exempt	8,210	90	1.10%	13,858	142	1.02%	22,240	275	1.24%
Taxable	59,176	978	1.65%	38,134	645	1.69%	30,922	446	1.44%
Total securities	67,386	1,068	1.58%	51,992	787	1.51%	53,162	721	1.36%
Total loans receivable (1) (3)	231,955	11,419	4.92%	230,750	11,796	5.11%	210,112	11,396	5.42%
Other interest-earning assets	12,300	138	1.12%	10,120	93	0.92%	7,538	64	0.85%
Total earning assets	311,641	12,625	4.05%	292,862	12,676	4.33%	270,258	12,181	4.50%
Non-interest earning assets									
Allowance for loan losses	(3,126)			(3,400)			(3,747)		
Total Assets	\$ 331,675			\$ 312,930			\$ 293,429		
Sources of Funds:									
Interest bearing deposits:									
Interest bearing demand	\$ 71,471	\$ 415	0.58%	\$ 62,414	\$ 371	0.59%	\$ 61,692	\$ 366	0.59%
Money market	5,904	19	0.32%	6,566	23	0.35%	6,759	25	0.37%
Savings	74,908	379	0.51%	60,363	235	0.39%	44,071	70	0.16%
Time	82,850	1,064	1.28%	93,664	1,360	1.45%	96,319	1,473	1.53%
Total interest bearing deposits	235,133	1,877	0.80%	223,007	1,989	0.89%	208,841	1,934	0.93%
Borrowed funds	5,611	58	1.03%	6,065	51	0.84%	3,966	17	0.43%

Total interest bearing liabilities	240,744	1,935	0.80%	229,072	2,040	0.89%	212,807	1,951	0.92%
Non-interest bearing liabilities:									
Demand	60,062			54,872			53,488		
Other liabilities	1,798			1,756			1,532		
Total non-interest bearing liabilities	61,857			56,628			55,020		
Stockholders equity	29,071			27,230			25,602		
Total Liabilities and Stockholders Equity	\$ 331,675			\$ 312,930			\$ 293,429		
Net Interest Income and Net Interest Margin (4)									
		\$ 10,690	3.43%		\$ 10,636	3.63%		\$ 10,230	3.78%

(1) Includes loan fee income

(2) Average rates on securities are calculated on amortized costs

(3) Loans outstanding include non-accrual loans

(4) Represents the difference between interest earned and interest paid, divided by average total interest-earning assets

Table of Contents

Net interest income increased \$54 thousand, or 0.5%, to \$10.7 million for the year ended December 31, 2016 as compared to \$10.6 million for same period in 2015. The increase in net interest income was largely due to an increase in average interest earning assets of \$18.8 million or 6.41%, partly offset by the net interest margin decreasing 20 basis points to 3.43% for the year ended December 31, 2016 compared to the same period last year. The increase in average interest earning assets was driven by growth in average total securities of \$15.4 million. The decrease in the net interest margin was mostly attributed to a 19 basis point decrease in the average rate earned on loans, and a 19 basis point increase in the average rate paid on borrowed funds compared to 2015.

Interest Income. Total interest income decreased \$51 thousand, or 0.4%, to \$12.6 million for the year ended December 31, 2016 as compared to \$12.7 million for the same period in 2015. The decrease in interest income was largely due to a decrease in rates of 28 basis points offset by an \$18.8 million, or 6.4%, increase in average interest earning assets. The decline in average rate was mostly attributed to a 19 basis point decrease in the average rate earned on loans.

Interest income from securities increased \$281 thousand, or 35.7%, for the year ended December 31, 2016 compared to the same period in 2015. The increase was due to an increase in the average balance of the securities portfolio of \$15.4 million, or 29.6%, to \$67.4 million for the year ended December 31, 2016 as compared to the same period in 2015. The increase in the average balance of the securities portfolio was complimented by an increase in the average rate of 7 basis points to 1.58% for 2016 from 1.51% for 2015.

Interest income from the loan portfolio decreased by \$377 thousand, or 3.2%, to \$11.4 million for 2016 from \$11.8 million for 2015. The decrease was due to a 19 basis points decrease in the average rate on the loan portfolio for the year ended December 31, 2016 as compared to the same period in 2015.

Interest Expense. Total interest expense decreased \$105 thousand, or 5.2%, to \$1.9 million for the year ended December 31, 2016 from \$2.0 million for the same period in 2015. The decrease was principally due to a decrease in the interest expense on time deposits of \$296 thousand, or 21.8%, for 2016 compared to 2015.

Table of Contents

The following table reflects the impact on net interest income from changes in the volume of interest earning assets and interest bearing liabilities and changes in rates earned and paid by us on such assets and liabilities. For purposes of this table, nonaccrual loans have been included in the average loan balance. Changes due to both volume and rate have been allocated in proportion to the relationship of the dollar amount change in each.

<i>(Dollars in thousands)</i>	December 31, 2016 v. 2015			December 31, 2015 v. 2014		
	Increase (decrease) Due to changes in:			Increase (decrease) Due to changes in:		
	Volume	Rate	Total	Volume	Rate	Total
Securities:						
Tax exempt	\$ (61)	\$ 9	\$ (52)	\$ (92)	\$ (41)	\$ (133)
Taxable	348	(15)	333	114	85	199
Total securities	287	(6)	281	22	44	66
Total loans receivable (1)	2,419	(2,796)	(377)	1,109	(709)	400
Other interest-earning assets	22	23	45	24	5	29
Total net change in income on interest-earning assets	2,683	(2,734)	(51)	1,117	(622)	495
Interest bearing deposits:						
Interest bearing demand	53	(9)	44	4	1	5
Money market	(2)	(2)	(4)	13	(15)	(2)
Savings	65	79	144	25	140	165
Time	(148)	(148)	(296)	(40)	(73)	(113)
Total interest bearing deposits	(32)	(80)	(112)	2	53	55
Borrowed funds	(4)	11	7	12	22	34
Total net change in expense on interest-bearing liabilities	(36)	(69)	(105)	14	75	89
Change in net interest income	\$ 2,719	\$ (2,719)	\$ 54	\$ 1,103	\$ (697)	\$ 406

(1) Includes loan fee income

Provision for Loan Losses. Provision for loan losses decreased \$25 thousand to \$100 thousand for the year ended December 31, 2016, as compared to \$125 thousand for the same period in 2015. The decrease in the provision for loan losses for the year-ended December 31, 2016 was largely attributed to a decrease in loan growth. The provision for loan losses reflects management review, analysis and judgment of the credit quality of the loan portfolio for 2016 and the effects of current economic environment and changes in real estate collateral values from the time the loans were originated. Community's non-accrual loans decreased \$2.9 million, or 38.5%, to \$4.7 million at December 31, 2016 from \$7.6 million at December 31, 2015. Community believes these loans are adequately provided for in Community's loan loss allowance or are sufficiently collateralized at December 31, 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 deemed necessary. Also see Note 3 to Community's consolidated financial statements herein for further discussion.

Non-Interest Income. Non-interest income consists of all income other than interest and dividend income and is principally derived from: service charges on deposits; ATM and debit card income; and BOLI income. Community recognizes the importance of supplementing net interest income with other sources of income as Community continues to explore new opportunities to generate non-interest income.

Non-interest income increased \$173 thousand, or 27.2%, to \$810 thousand for the year ended December 31, 2016 as compared to the same period last year. The increase in non-interest income was largely due to increases in

Table of Contents

other income of \$116 thousand primarily from a \$75 thousand legal settlement, along with a decrease of \$148 thousand in losses from sale and write-downs of real estate owned for the year ended December 31, 2016, as compared to the same period in 2015. The aforementioned were offset by a decrease of \$87 thousand, or 14.7%, to \$505 thousand for fees and service charges as compared to the same period in 2015.

Non-Interest Expense. Total non-interest expense increased \$347 thousand, or 4.1%, to \$8.9 million for the year ended December 31, 2016 as compared to the same period last year. The increase for the year ended December 31, 2016, as compared to the same period in 2015, was largely due to increases in compensation and benefits of \$303 thousand mainly for staff additions, professional fees of \$130 thousand mainly due to legal expenses increasing \$98 thousand year over year, and data processing and telecommunications of \$86 thousand resulting from an increase in data processing of \$85 thousand in 2016 versus 2015 due to the addition of new product offerings, which were partially offset by decreases in occupancy and equipment of \$95 thousand mainly due to a decrease in building maintenance of \$70 thousand year over year, and federal deposit insurance premiums of \$90 thousand due to the reduction in fee calculation factors.

Income Taxes. The provision for income taxes was \$856 thousand and \$784 thousand for 2016 and 2015, respectively. Community's effective tax rate was 34.0% and 30.0% for 2016 and 2015, respectively. The increase in income tax expense for the year ended December 31, 2016 was primarily attributable to growth in pre-tax income from taxable sources with a decrease in tax free income on municipal bonds of \$51 thousand as compared to 2015. See Notes 1 and 6 to Community's consolidated financial statements for further discussion on income taxes.

Operational Risk

Community is exposed to a variety of operational risks that can affect each of Community's business activities, particularly those involving processing and servicing of loans. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems from external events. The risk of loss also includes losses that may arise from potential legal actions that could result from operational deficiencies or noncompliance with contracts, laws or regulations. Community monitors and evaluates operational risk on an ongoing basis through systems of internal control, formal corporate-wide policies and procedures, and an internal audit function.

LIQUIDITY AND CAPITAL RESOURCES

A fundamental component of Community's business strategy is to manage liquidity to ensure the availability of sufficient resources to meet all financial obligations and to finance prospective business opportunities. Liquidity management is critical to Community's stability. Community's liquidity position over any given period of time is a product of Community's operating, financing and investing activities. The extent of such activities is often shaped by such external factors as competition for deposits and loan demand.

Traditionally, financing for Community's loans and investments is derived primarily from deposits, along with interest and principal payments on loans and investments. At June 30, 2017, total deposits amounted to \$308.5 million, an increase of \$4.5 million, or 1.5%, from December 31, 2016. At June 30, 2017 and December 31, 2016, borrowings from the FHLB were \$4.0 million, and represented 1.2% of total assets.

Loan production continued to be Community's principal investing activity. Total loans receivable, net of unearned income, at June 30, 2017, amounted to \$234.0 million, an increase of \$4.8 million, or 2.1%, compared to December 31, 2016.

Community's most liquid assets are cash and interest bearing time deposits with banks. At June 30, 2017, the total of such assets amounted to \$14.0 million, or 4.0%, of total assets, compared to \$14.7 million, or 4.3%, of total assets at December 31, 2016. Another significant liquidity source is Community's available for sale securities portfolio. At June 30, 2017, available for sale securities amounted to \$81.5 million, compared to \$79.1 million at December 31, 2016.

Table of Contents

In addition to the aforementioned sources of liquidity, we have available various other sources of liquidity, including federal funds purchased from other banks and the FRB discount window. We also have the capacity to borrow an additional \$15.7 million through our membership in the FHLB, \$1.0 million at FRB, and \$5.0 million at ACBB at June 30, 2017. Management believes that Community's sources of funds are sufficient to meet its present funding requirements.

Community's regulators have classified and defined bank capital as consisting of Tier I capital, which includes tangible stockholders' equity for common stock (Common Equity Tier 1 or CET1) and Total risk based capital. Total risk based capital includes Tier I capital and Tier II capital, which includes a portion of the allowance for loan losses, certain qualifying long-term debt and preferred stock which does not qualify for Tier I capital.

Community's regulators have implemented risk-based rules (the Capital Rules) which require banks to maintain certain minimum capital as a percent of such assets and certain off-balance sheet items adjusted for predefined credit risk factors (risk-adjusted assets). 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.

The Capital Rules also require 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 riskweighted 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%. At June 30, 2017, the Bank's CET1, Tier I and Total risk based capital ratios were 14.69%, 14.69% and 15.95%.

In addition to the risk-based guidelines discussed above, the Bank's regulators require that banks, which meet the regulators' highest performance and operational standards, maintain a minimum leverage ratio (Tier I capital as a percent of tangible assets) of 4.0%. For those banks with higher levels of risk or that are experiencing or anticipating growth, the minimum will be proportionately increased. Minimum leverage ratios for each bank and bank holding company are established and updated through the ongoing regulatory examination process. As of June 30, 2017 Community had a leverage ratio of 8.30%.

Off-Balance Sheet Arrangements Community's consolidated financial statements do not reflect off-balance sheet arrangements that are made in the normal course of business. These off-balance sheet arrangements consist of commitments to extend credit and letters of credit. At June 30, 2017, we had approved equity lines of credit,

unsecured lines of credit, overdraft protection loans unused and construction loans yet to be advanced but accessible to borrowers of \$31.3 million. These instruments have fixed maturity dates, and because many of them will expire without being drawn upon, they do not generally present any significant liquidity risk to us. Management believes that any amounts actually drawn upon can be funded in the normal course of operations.

Market Risk

Market risk is generally described as the sensitivity of income to adverse changes in interest rates, foreign currency exchange rates, commodity prices, and other relevant market rates or prices. Market rate sensitive

Table of Contents

instruments include: financial instruments such as investments, loans, mortgage-backed securities, deposits, borrowings and other debt obligations; derivative financial instruments, such as futures, forwards, swaps and options; and derivative commodity instruments, such as commodity futures, forwards, swaps and options that are permitted to be settled in cash or another financial instrument.

Community does not have any material exposure to foreign currency exchange rate risk or commodity price risk. Community did not enter into any market rate sensitive instruments for trading purposes nor did Community engage in any trading or hedging transactions utilizing derivative financial instruments during 2016. Community's real estate loan portfolio, concentrated largely in northern New Jersey, is subject to risks associated with the local and regional economies. Community's primary source of market risk exposure arises from changes in market interest rates (interest rate risk).

Interest Rate Risk

Interest rate risk is generally described as the exposure to potentially adverse changes in current and future net interest income resulting from: fluctuations in interest rates, product spreads, and imbalances in the repricing opportunities of interest-rate-sensitive assets and liabilities. Therefore, managing Community's interest rate sensitivity is a primary objective of Community's senior management. Community's Asset/Liability Committee (ALCO) is responsible for managing the exposure to changes in market interest rates. Community reviews a variety of strategies that project changes in asset or liability mix and the impact of those changes on projected net interest income and net income.

Current and future sensitivity to changes in interest rates are measured through the use of balance sheet and income simulation models. The analyses capture changes in net interest income using flat rates as a base, a most likely rate forecast and rising and declining interest rate forecasts. Changes in net interest income and net income for the forecast period, generally twelve to twenty-four months, are measured and compared to policy limits for acceptable change. There are a variety of reasons that may cause actual results to vary considerably from the predictions presented below which include, but are not limited to, the timing, magnitude, and frequency of changes in interest rates, interest rate spreads, prepayments, and actions taken in response to such changes. Specific assumptions used in the simulation model include instantaneous and permanent yield curve shifts for market rates and current asset and liability spreads to market interest rates are fixed.

The following table sets forth Community's interest rate risk profile at December 31, 2016 and 2015. The interest rate sensitivity of Community's assets and liabilities and the impact on net interest income illustrated in the following table would vary substantially if different assumptions were used or if actual experience differs from that indicated by the assumptions.

<i>(Dollars in thousands)</i> Change in Interest Rates (basis points)	Net Portfolio Value (2)			Net interest Income		
	Estimated Increase (Decrease)			Estimated Increase (Decrease)		
	Estimated NPV(1)	Amount	Percent	Estimated Net Interest Income (3)	Amount	Percent
December 31, 2016						
+200bp	\$ 42,940	\$ (6,599)	(13.32)%	\$ 10,093	\$ (19)	(0.2)%
0bp	\$ 49,539			\$ 10,112		

Edgar Filing: SUSSEX BANCORP - Form S-4/A

-100bp	\$ 50,942	\$ 1,403	2.83%	\$ 9,811	\$ (301)	(3.0)%
December 31, 2015						
+200bp	\$ 42,960	\$ (4,646)	(9.8)%	\$ 9,926	\$ (74)	(0.7)%
0bp	\$ 47,606			\$ 10,000		
-100bp	\$ 49,850	\$ 1,974	4.2%	\$ 9,766	\$ (234)	(2.3)%

(1) Assumes an instantaneous and parallel shift in interest rates at all maturities.

Table of Contents

(2) NPV, also referred to as economic value of equity, is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Assumes a gradual change in interest rates over a one year period at all maturities.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes in net interest income requires the making of certain assumptions regarding prepayment and deposit decay rates, which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. While management believes such assumptions are reasonable, there can be no assurance that assumed prepayment rates and decay rates will approximate actual future loan prepayment and deposit withdrawal activity. Moreover, the net interest income table presented assumes that the composition of interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the net interest income table provides an indication of Community's interest rate risk exposure at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results. Furthermore, the simulation does not reflect actions that ALCO might take in response to anticipated changes in interest rates or competitive conditions in the market place.

Impact of Inflation and Changing Prices

Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, the level of interest rates has a more significant impact on a financial institution's performance than general levels of inflation. Interest rates do not necessarily move in the same direction or change with the same magnitude as the price of goods and services, which are affected by inflation. Accordingly, the liquidity, interest rate sensitivity and maturity characteristics of Community's assets and liabilities are more indicative of Community's ability to maintain acceptable performance levels. Management monitors and seeks to mitigate the impact of interest rate changes by attempting to match the maturities of assets and liabilities, thus seeking to minimize the potential effect of inflation.

Table of Contents

THE SPECIAL MEETING OF COMMUNITY SHAREHOLDERS

This joint proxy statement/prospectus is being furnished to holders of Community common stock for use at a special meeting of Community shareholders and any adjournments or postponements thereof.

Date, Time and Place of the Special Meeting

Community will hold its special meeting of shareholders at its Maywood Branch Office, 125 West Pleasant Avenue, Maywood, NJ 07607 on December 15, 2017, at 10:00 a.m., local time.

Purpose of the Special Meeting

At the special meeting, Community shareholders as of the record date will be asked to consider and vote on the following proposals:

1. to approve the Agreement and Plan of Merger by and between Sussex, Sussex Bank and Community, dated as of April 10, 2017, pursuant to which Community will merge with and into Sussex Bank with Sussex Bank surviving; and
2. to approve 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.

Recommendation of the Community Board of Directors

The Community board of directors has unanimously approved the merger agreement and recommends that you vote your shares as follows:

FOR approval of the merger agreement; and

FOR approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies.

Record Date; Outstanding Shares; Shares Entitled to Vote

Only holders of record of Community common stock at the close of business on the record date of October 26, 2017, are entitled to notice of and to vote at Community's special meeting. As of the record date, there were 1,918,144 shares of Community common stock outstanding, held of record by approximately 191 shareholders. Each holder of Community common stock is entitled to one vote for each share of Community common stock owned as of the record date.

A list of shareholders entitled to vote at the special meeting will be available for inspection at the special meeting by any Community shareholder.

Quorum

A quorum of Community shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of Community common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee), vote in person at the special meeting, or vote by proxy over the telephone or the Internet as described in the enclosed instructions. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the special meeting in person or represented by proxy may adjourn the special meeting to another date.

Table of Contents

Share Ownership of Management; Voting Agreements

As of the record date, the directors and executive officers of Community and their affiliates collectively owned 108,020 shares of Community common stock, or approximately 5.6% of Community's outstanding shares.

Each of the directors and three 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 5.6% of the outstanding shares of Community common stock.

When considering the Community board of directors' recommendation that you vote in favor of the approval of the merger agreement, you should be aware that the directors and executive officers of Community have financial interests in the merger that may be different from, or in addition to, the interests of shareholders of Community. See The Merger's Interests of Community's Directors and Executive Officers in the Merger beginning on page 94.

Voting of Proxies

If you are a Community shareholder, the Community board of directors requests that you return the proxy card accompanying this joint proxy statement/prospectus for use at the Community special meeting. Please complete, date and sign the proxy card and promptly return it 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.

All properly signed proxies received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxies or, **if no instructions are given, the shares will be voted FOR approval of the merger agreement, and FOR an adjournment of the special meeting to solicit additional proxies, if necessary.**

If you have any questions concerning the merger, the other meeting matters or this joint proxy statement/prospectus or need assistance voting your shares, please contact Community's proxy solicitor at the address or telephone number listed below:

Laurel Hill Advisory Group, LLC

2 Robbins Lane, Suite 201

Jericho, New York 11753

Banks and Brokers Call (516) 933-3100

All Others Call Toll-Free (888) 742-1305

If you hold your shares of Community common stock in street name, meaning in the name of a bank, broker or other nominee who is the record holder, you must either direct the record holder of your shares of Community common stock how to vote your shares or obtain a proxy from the record holder to vote your shares in person at the special meeting.

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

How to Revoke Your Proxy

If you are a Community shareholder, you may revoke your proxy at any time by taking any of the following actions before your proxy is voted at the special meeting:

delivering a written notice bearing a date later than the date of your proxy card to the Corporate Secretary of Community, stating that you revoke your proxy;

Table of Contents

submitting a new signed proxy card bearing a later date or vote again by telephone or Internet (any earlier proxies will be revoked automatically); or

attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy.

You should send any notice of revocation to Cecelia McMullen James, Corporate Secretary, at the following address:

125 W. Pleasant Ave.

Maywood, New Jersey 07607

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 vote.

Voting in Person

If you are a Community shareholder and plan to attend the Community special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from the broker, bank or other nominee in order to vote your shares.

Whether or not you plan to attend the special meeting, Community requests that you complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, or submit a proxy through the Internet or by telephone as described in the instructions accompanying this joint proxy statement/prospectus. This 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.

Abstentions and Broker Non-Votes

Only shares affirmatively voted for each proposal, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes **FOR** the proposal.

Brokers who hold shares of Community common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer's shares with respect to the actions proposed in this joint proxy statement/prospectus without specific instructions from the customer. When a broker does not vote on a particular proposal because the broker does not have discretionary voting power with respect to a proposal and has not received voting instructions from the beneficial owner it is referred to as broker non-votes. If your broker holds your Community stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this joint proxy statement/prospectus.

Accordingly, you are urged to mark and return the enclosed proxy card to indicate your vote, or fill out the voter instruction form, if applicable. Abstentions and broker non-votes will be included in determining the presence of a quorum at the special meeting. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the approval of the merger agreement and the other proposal.

Proxy Solicitation

Edgar Filing: SUSSEX BANCORP - Form S-4/A

If you are a Community shareholder, the enclosed proxy is solicited by and on behalf of the Community board of directors. Community will pay the expenses of soliciting proxies to be voted at the special meeting, including any attorneys and accountants fees, except Community and Sussex have each agreed to share equally

Table of Contents

the costs of printing this joint proxy statement/prospectus. Following the original mailing of the proxies and other soliciting materials, Community and its agents may also solicit proxies by mail, telephone, facsimile or in person. No additional compensation will be paid to directors, officers or other employees of Community for making these solicitations. Community has retained a proxy solicitation firm, Laurel Hill Advisory Group, LLC, to aid in the solicitation process. Community will pay a fee of approximately \$5,500, plus reasonable out-of-pocket expenses to Laurel Hill Advisory Group, LLC. Community intends to reimburse persons who hold Community common stock of record but not beneficially, such as brokers, custodians, nominees and fiduciaries, for their reasonable expenses in forwarding copies of proxies and other soliciting materials to, and requesting authority for the exercise of proxies from, the persons for whom they hold the shares.

This joint proxy statement/prospectus and the proxy card are first being sent to Community shareholders on or about November 7, 2017.

Stock Certificates

If you are a Community shareholder, you should not send in any certificates representing Community common stock. Following the completion of the merger, you will receive separate instructions for the exchange of your certificates representing Community common stock.

Table of Contents

COMMUNITY PROPOSALS

Merger Proposal

Community is requesting that holders of the outstanding shares of Community common stock consider and vote on a proposal to approve the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus. Approval of the merger proposal by Community shareholders is a condition to the closing of the merger. If the merger proposal is not approved by Community shareholders, the merger will not occur.

Vote Required for Approval

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. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the approval of the merger agreement.

Recommendation of the Community Board of Directors

THE COMMUNITY BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE MERGER PROPOSAL.

Adjournment Proposal

Community is requesting that holders of the outstanding shares of Community common stock 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. Even though a quorum may be present at the special meeting, it is possible that Community may not receive sufficient votes to approve the merger agreement by the time of the special meeting. In that event, Community would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to approve the merger agreement. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted on pursuant to the discretionary authority granted by the proxy card. The Community board of directors retains full authority to the extent permitted by Community's restated certificate of incorporation, or Community's bylaws, and New Jersey law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any Community shareholders.

If Community shareholders approve the adjournment proposal, Community could adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Community shareholders who have previously voted. Community is not required to notify shareholders of any adjournment if the new place, date and time are announced at the special meeting before adjournment. If, after the adjournment, a new record date is fixed for the adjourned special meeting, notice of the adjourned special meeting shall be given to each shareholder of record entitled to vote at the special meeting.

Vote Required for Approval

The affirmative vote of holders of at least a majority of the shares represented at the Community special meeting is required to approve the proposal to adjourn the special meeting. Abstentions and broker non-votes are counted as shares represented at the Community special meeting and will have the same effect as a vote **AGAINST**.

Recommendation of the Community Board of Directors

THE COMMUNITY BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE ADJOURNMENT PROPOSAL.

Table of Contents

THE SPECIAL MEETING OF SUSSEX SHAREHOLDERS

This joint proxy statement/prospectus is being furnished to holders of Sussex common stock for use at a special meeting of Sussex shareholders and any adjournments or postponements thereof.

Date, Time and Place of the Special Meeting

Sussex will hold its special meeting of shareholders at office of Sussex Bancorp, located at 100 Enterprise Drive, Suite 700, Rockaway, New Jersey 07866, on December 15, 2017, at 12:00 p.m., local time.

Purpose of the Special Meeting

At the special meeting, Sussex shareholders as of the record date will be asked to consider and vote on the following proposals:

1. to approve the Agreement and Plan of Merger by and between Sussex, Sussex Bank and Community, dated as of April 10, 2017, pursuant to which Community will merge with and into Sussex Bank with Sussex Bank surviving; and
2. to approve 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.

Recommendation of the Sussex Board of Directors

The Sussex board of directors has unanimously approved the merger agreement and recommends that you vote your shares as follows:

FOR approval of the merger agreement; and

FOR approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies.

Record Date; Outstanding Shares; Shares Entitled to Vote

Only holders of record of Sussex common stock at the close of business on the record date of October 26, 2017 are entitled to notice of and to vote at Sussex's special meeting. As of the record date, there were 6,040,180 shares of Sussex common stock outstanding, held of record by approximately 528 shareholders. Each holder of Sussex common stock is entitled to one vote for each share of Sussex common stock owned as of the record date.

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.

Quorum

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 the outstanding shares of Sussex common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee), vote in person at the special meeting, or vote by proxy over the telephone or the Internet as described in the enclosed instructions. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the holders of a majority of shares present at the special meeting in person or represented by proxy may adjourn the special meeting to another date.

Table of Contents

Share Ownership of Management

As of the record date, the directors and executive officers of Sussex and their affiliates collectively owned 792,192 shares of Sussex common stock, or approximately 13.12% of Sussex's outstanding shares.

Voting of Proxies

If you are a Sussex shareholder, the Sussex board of directors requests that you return the proxy card accompanying this joint proxy statement/prospectus for use at the Sussex special meeting. Please complete, date and sign the proxy card and promptly return it in the enclosed postage-paid envelope, or submit a proxy through the Internet or by telephone as described in the instructions contained in the enclosed proxy card.

All properly signed proxies received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxies or, **if no instructions are given, the shares will be voted FOR approval of the merger agreement, and FOR an adjournment of the special meeting to solicit additional proxies, if necessary.**

If you have any questions concerning the merger, the other meeting matters or this joint proxy statement/prospectus or need assistance voting your shares, please contact Sussex's proxy solicitor at the address or telephone number listed below:

Alliance Advisors LLC

200 Broadacres Drive, 3rd floor

Bloomfield, NJ 07003

Banks, brokers and shareholders should call:

(833) 501-4841

If you hold your shares of Sussex common stock in street name, meaning in the name of a bank, broker or other nominee who is the record holder, you must either direct the record holder of your shares of Sussex common stock how to vote your shares or obtain a proxy from the record holder to vote your shares in person at the special meeting.

If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of Sussex common stock and you do not attend the special 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.

If any other matter is presented at the special meeting, your proxy will vote the shares represented by all properly executed proxies on such matters as a majority of Sussex's board of directors determines. As of the date of this joint proxy statement/prospectus, Sussex knows of no other matters that may be presented at the special meeting, other than those listed above.

How to Revoke Your Proxy

Edgar Filing: SUSSEX BANCORP - Form S-4/A

If you are a Sussex shareholder, you may revoke your proxy at any time by taking any of the following actions before your proxy is voted at the special meeting:

delivering a written notice bearing a date later than the date of your proxy card to the Secretary of Sussex, stating that you revoke your proxy;

submitting a new signed proxy card bearing a later date or vote again by telephone or Internet (any earlier proxies will be revoked automatically); or

attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy.

Table of Contents

You should send any notice of revocation to Linda Kuipers, Secretary, at the following address:

Sussex Bancorp
100 Enterprise Drive, Suite 700
Rockaway, New Jersey 07866

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 vote.

Voting in Person

If you are a Sussex shareholder and plan to attend the Sussex special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from the broker, bank or other nominee in order to vote your shares.

Whether or not you plan to attend the special meeting, Sussex requests that you complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, or submit a proxy through the Internet or by telephone as described in the instructions accompanying this joint proxy statement/prospectus. This 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.

Abstentions and Broker Non-Votes

Only shares affirmatively voted for each proposal, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes **FOR** the proposal.

Brokers who hold shares of Sussex common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer's shares with respect to the actions proposed in this joint proxy statement/prospectus without specific instructions from the customer. When a broker does not vote on a particular proposal because the broker does not have discretionary voting power with respect to a proposal and has not received voting instructions from the beneficial owner it is referred to as broker non-votes. If your broker holds your Sussex stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this joint proxy statement/prospectus.

Accordingly, you are urged to mark and return the enclosed proxy card to indicate your vote, or fill out the voter instruction form, if applicable. Abstentions and broker non-votes will be included in determining the presence of a quorum at the special meeting. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the adoption and approval of the merger agreement, but will have no effect on the other proposal.

Proxy Solicitation

If you are a Sussex shareholder, the enclosed proxy is solicited by and on behalf of the Sussex board of directors. Community and Sussex have each agreed to share equally the costs of printing this joint proxy statement/prospectus. Following the original mailing of the proxies and other soliciting materials, Sussex and its agents may also solicit proxies by mail, telephone, facsimile or in person. No additional compensation will be paid to directors, officers or

other employees of Sussex for making these solicitations. Sussex has retained a proxy solicitation firm, Alliance Advisors, to aid in the solicitation process. 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

Table of Contents

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. Sussex intends to reimburse persons who hold Sussex common stock of record but not beneficially, such as brokers, custodians, nominees and fiduciaries, for their reasonable expenses in forwarding copies of proxies and other soliciting materials to, and requesting authority for the exercise of proxies from, the persons for whom they hold the shares.

This joint proxy statement/prospectus and the proxy card are first being sent to Sussex shareholders on or about November 7, 2017.

Table of Contents

SUSSEX PROPOSALS

Merger Proposal

Sussex is requesting that holders of the outstanding shares of Sussex common stock consider and vote on a proposal to adopt and approve the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus. Approval of the merger proposal by Sussex shareholders is a condition to the closing of the merger. If the merger proposal is not approved by Sussex shareholders, the merger will not occur.

Vote Required for Approval

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 such shareholder meeting is required to adopt and approve the merger agreement. Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the adoption and approval of the merger agreement.

Recommendation of the Sussex Board of Directors

THE SUSSEX BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE MERGER PROPOSAL.

Adjournment Proposal

Sussex is requesting that holders of the outstanding shares of Sussex common stock 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. Even though a quorum may be present at the special meeting, it is possible that Sussex may not receive sufficient votes to adopt and approve the merger agreement by the time of the special meeting. In that event, Sussex would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to adopt and approve the merger agreement. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted on pursuant to the discretionary authority granted by the proxy card. The Sussex board of directors retains full authority to the extent set forth in Sussex's restated certificate of incorporation, or Sussex's amended and restated bylaws, and New Jersey law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any Sussex shareholders.

If Sussex shareholders approve the adjournment proposal, Sussex could adjourn the special meeting and any adjourned session of the special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from Sussex shareholders who have previously voted. Sussex is not required to notify shareholders of any adjournment if the new place, date and time are announced at the special meeting before adjournment. If the date of any adjourned special meeting is more than 30 days after the date of the original special meeting or if a new record date is fixed for the adjourned special meeting, written notice of the adjourned special meeting shall be given to each shareholder of record entitled to vote at the special meeting.

Vote Required for Approval

At least a majority of votes cast at the Sussex 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. Abstentions and broker non-votes are not counted as votes cast and will not affect the outcome of this proposal.

Recommendation of the Sussex Board of Directors

THE SUSSEX BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE ADJOURNMENT PROPOSAL.

Table of Contents

THE MERGER

The following discussion contains material information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement and other documents attached as annexes to this joint proxy statement/prospectus. We urge you to read carefully this entire joint proxy statement/prospectus, including the merger agreement and other documents attached as annexes to this joint proxy statement/prospectus, for a more complete understanding of the merger.

General

On April 10, 2017, the boards of directors of Sussex and Community each unanimously approved the merger agreement. The merger agreement provides for the merger of Community with and into Sussex Bank, with Sussex Bank as the surviving bank.

See The Merger Agreement, beginning on page 118, for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the merger and the provisions for terminating or amending the merger agreement.

Consideration to be Received in the Merger

Upon completion of the merger, 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.

Background of the Merger

As part of its ongoing consideration of Community's long-term prospects and strategies, the Community board of directors has regularly considered various strategic alternatives, including opportunities for organic growth and potential acquisitions and merger transactions. The Community board has considered strategic options potentially available to Community, with the goal of enhancing and focusing on value for its shareholders, as well as its interest in serving its customers and community and providing for its employees.

Similarly, Sussex's board of directors and senior management have periodically reviewed Sussex's strategic opportunities and alternatives as part of their on-going efforts to continually improve Sussex's banking franchise and enhance long-term shareholder value. These reviews have focused on assessing opportunities for increasing earnings through internally generated growth and for growth through acquisitions of other banks or *de novo* branching. As part of the strategic reviews, Sussex's board of directors and senior management have considered potential acquisition targets, including Community.

Community has grown to approximately \$356 million in assets since being established. Community's board believes that Community needs to continue to grow to reach the scale necessary to operate efficiently and absorb increased costs of operating its bank in order to become more profitable. Like many community banks, Community has incurred increasing costs in complying with new banking laws, regulations and policies, in addition to changes in technology that affect the way customers conduct banking business, as well as the difficulty of operating in a sustained low interest rate environment. The board and management have considered from time to time both organic growth strategies and business combinations with other financial institutions, as a means of absorbing such higher operating costs by achieving greater economies of scale.

Initially Anthony J. Labozzetta, the President and CEO of Sussex, approached Community's President and CEO, Peter A. Michelotti in 2015 about a possible combination. A merger was not part of Community's strategic plan at the time, so Community declined.

In late 2016, Sussex's financial advisor, Keefe, Bruyette & Woods, Inc. (KBW), met with Sussex's management to discuss potential acquisition targets, including Community.

Table of Contents

As part of its 2016 strategic planning process, Community considered various opportunities for potential acquisitions and merger transactions, and determined that a possible combination with Sussex should be evaluated further. Community requested FinPro Capital Advisors, Inc. (FinPro) to provide an analysis of a possible combination with Sussex. After discussing this analysis with FinPro, in January 2017, Mr. Michelotti contacted Mr. Labozzetta, and they met to discuss the possibility of a business combination between the two institutions. After discussing the relative merits of a merger of the two banks, it was decided that a follow-up meeting was warranted.

A possible merger with Sussex was discussed at Community's board meeting on January 18, 2017, and the board directed management to ask FinPro to provide another more in depth analysis of such a transaction.

On January 31, 2017, Sussex management met with KBW and legal counsel, Hogan Lovells US LLP (Hogan Lovells), to review potential price, transaction structure and approach with respect to a potential transaction with Community. At a meeting later that day between Mr. Michelotti and Mr. Labozzetta, they discussed an all stock merger for consideration of \$22.00 to \$23.00 per share of Community stock. On February 6, 2017, the board of directors of Sussex met with KBW and Hogan Lovells to review financial terms and a draft letter of intent contemplating a potential transaction with Community.

Thereafter, Sussex offered to Community in a non-binding indication of interest dated February 7, 2017, a price between \$22.00 and \$23.00 per share, resulting in an aggregate deal value between \$42.4 million and \$44.4 million in the aggregate (including the cash out of options). Sussex Bank would merge with Community in a 100% stock transaction in which Sussex Bank would be the surviving institution. The non-binding indication of interest also invited three current Community directors to join the board of directors of the combined entity and requested a 45-day exclusivity period to continue confidential discussions.

On February 15, 2017, Community's board of directors met, attended by a representative of FinPro, to review Sussex indication of interest. At this meeting, FinPro reviewed with Community's board of Directors the terms of Sussex indication of interest, including the Investment Value Approach (Discounted Cash Flow) of Community operating on a stand-alone basis through the end of 2021 and the range of present values of Community assuming a sale of the company at the end of 2021. FinPro also presented to the board the Market Value Approach (Acquisition Comparables) illustrating the price paid for one institution relative to another on an acquisition basis for institutions comparable to Community that recently sold. The range of values offered in Sussex' indication of interest were compared to both of these valuation approaches. FinPro also reviewed with Community the pro forma financial impact of the transaction based upon consideration of \$22.00 per share (the low end of the consideration range proposed), and provided sensitivity analyses for the full range of potential consideration prices based upon the nonbinding indication. FinPro also reviewed the trading valuation of Sussex as compared to a comparable trading group, and a summary of the historical financial performance of Sussex. A potential timeline of events was also discussed assuming Community were to enter into negotiations with Sussex. The Community board considered that the combination would create much-needed scale – an institution with combined assets of over \$1.3 billion, an improved earning profile and an expanded branch network in highly desirable geographic markets spanning northern New Jersey and the New York metropolitan market. Community's board made note of the recent growth and financial performance of Sussex. Other advantages considered by Community's board included substantially increased legal lending capacity for Community to accommodate its customer base, greater opportunities to serve its Bergen County New Jersey communities, and increased opportunities for many of its employees, as well as the familiarity that the executive officers of each institution had with each other. Community's board advised FinPro to communicate to Sussex's financial advisor that Community would like the bottom end of the range of consideration to be increased to \$22.50.

Edgar Filing: SUSSEX BANCORP - Form S-4/A

On February 24, 2017, KBW and FinPro discussed proposed non-binding terms and timeline for a potential transaction between Sussex and Community.

On February 27, 2017, Community's board of directors received a revised nonbinding indication of interest which included a revised range of \$22.50 to \$23.00. The revised indication also stated that the number of shares

Table of Contents

of Sussex common stock to be issued for each share of Community stock would be based upon an exchange ratio to be fixed at later date. All Community board members agreed that it was in the best interest of the bank's constituents, including its shareholders, to continue discussions with Sussex and for Mr. Michelotti to sign the revised nonbinding indication of interest and proceed with a 45 day exclusivity period regarding a potential merger.

Community and Sussex entered into a Mutual Confidentiality and Non-Disclosure Agreement, effective February 27, 2017 to facilitate the exchange of information in order to assess a possible transaction between the institutions.

During March 2017, the parties conducted due diligence on each other, including a March 12, 2017 on-site credit quality review by Sussex management at Community's main office, a March 22, 2017 meeting at which Sussex management conducted interviews of management of Community and a March 29, 2017 meeting at which Community's management and legal counsel reviewed documents and conducted interviews of management of Sussex. During these interviews, the parties discussed aspects of each other's business based on their respective reviews of the other party's documents and files.

On March 23, 2017, Sussex met with representatives of the Federal Deposit Insurance Corporation (the "FDIC") and the New Jersey Department of Banking and Insurance ("NJDOBI"). At this meeting, Sussex provided the FDIC and NJDOBI with an overview of the proposed transaction and answered questions from both agencies.

On March 24, 2017, Hogan Lovells provided a draft definitive merger agreement to Community, FinPro and Community legal counsel, Stevens & Lee. In late March and early April the terms of the definitive merger agreement were negotiated.

Further negotiations regarding the terms of the definitive merger agreement and further due diligence and analyses were conducted during the weeks of March 27 and April 3. During this time, discussions among the parties continued regarding compensation matters given that the parties desired that all such compensation matters, including new employment agreements or amendments to existing employment agreements, be resolved and agreed upon by all parties and affected executives before the merger agreement was executed. Sussex determined that it would like to retain certain executives of Community in new or altered roles at Sussex and Sussex Bank that were of strategic importance. In particular, Sussex focused on Mr. Michelotti's importance to the success of Community branches after being combined with Sussex Bank as a result of his relationships with customers and reputation in Bergen County, Cecelia McMullen James's proposed new role of being responsible for Sussex's operations, which includes loan and deposit operation departments, and Vincent Fantacone's proposed role of being responsible for Sussex's information technology department.

On April 5, 2017, the board of directors of Sussex, together with Sussex's legal counsel and representatives of KBW, met to consider the draft of the merger agreement as of that date. At the meeting, KBW reviewed financial aspects of the proposed transaction with Community and rendered an opinion (which was initially rendered verbally and confirmed by a written opinion, dated April 5, 2017) to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW as set forth in such opinion, the exchange ratio in the proposed merger was fair, from a financial point of view, to Sussex. Representatives of Hogan Lovells reviewed in detail the terms of the draft merger agreement and ancillary documents. The terms of the draft merger agreement were discussed and the board of directors encouraged management to continue negotiations with Community toward finalizing the documents.

On April 5, 2017 the board of directors of Community met to review the current draft of the merger agreement and all ancillary agreements. Representatives of FinPro and Stevens & Lee participated in the meeting. Representatives of Stevens & Lee reviewed in detail the terms of the merger agreement, the separate

Table of Contents

bank merger agreement and the voting agreements to be entered into by the directors and senior management, and summarized the directors' fiduciary duties, specifically in the context of a change of control. Following this meeting, FinPro and Stevens & Lee completed negotiations on the Merger Agreement and all ancillary documents, and exchanged disclosure schedules with Hogan Lovells.

On April 10, 2017, Sussex's board of directors held a special meeting to review and consider the proposed transaction with Community. Copies of the merger agreement and related materials were distributed to the members of the Sussex board of directors in advance of the meeting. At the meeting, members of Sussex's senior executive management, together with representatives of Hogan Lovells and KBW, discussed the outcome of negotiations with Community and certain of its employees and updated the Sussex board of directors as to the changes to terms and conditions of the merger agreement and ancillary documents since the April 5, 2017 meeting of the Sussex board of directors. Representatives of Hogan Lovells also reviewed in detail the resolutions that the Sussex board of directors were being asked to approve. In response to a question regarding KBW's opinion to the Sussex board of directors at its meeting on April 5, 2017, representatives of KBW indicated that nothing had come to KBW's attention since that date that caused KBW to conclude that KBW would have modified the conclusion contained in KBW's April 5, 2017 opinion when it had been rendered. After these presentations and further discussion, Sussex's board of directors unanimously approved the merger agreement, authorized Sussex's management to execute and deliver the merger agreement, and recommended that Sussex's shareholders approve the merger agreement.

At a Community board of directors meeting on April 10, 2017, with a representative of FinPro and Stevens & Lee in attendance, Stevens & Lee presented the terms of the final Merger Agreement, ancillary agreements and disclosure schedules to the Merger Agreement. Stevens & Lee also discussed the proposed resolutions that the board would approve, and again summarized the directors' fiduciary duties in the context of a change of control. FinPro discussed their financial analyses and fairness opinion regarding the proposed transaction. After a discussion regarding the Merger Agreement and the transaction, FinPro rendered an oral opinion (subsequently confirmed in writing) to Community that the merger consideration to be received by the holders of Community's common stock in connection with the Merger was fair to Community from a financial point of view. The Community board first voted unanimously in executive session, without Mr. and Ms. Michelotti present, to approve the Merger Agreement with Sussex, and then again with the full board present.

Following the completion of the Sussex and Community board meetings, the merger agreement and ancillary documents were executed and delivered. Prior to the opening of the market on April 11, 2017, Sussex and Community issued a joint press release announcing the execution of the merger agreement on April 11, 2017.

Community's Reasons for the Merger

In reaching the conclusion that the merger agreement is in the best interests of and advisable for Community and its constituents, including its shareholders, and in approving the merger agreement, Community's board of directors consulted with senior management, its legal counsel and its financial advisor, and considered a number of factors including, among others, the following, which are not presented in order of priority:

the business strategy and strategic plan of Community, its prospects for the future and projected financial results;

the consideration offered by Sussex, which, as of April 10, 2017, the date of the merger agreement, represented: 157.2% of Community's tangible book value per fully diluted share; 27x Community's trailing twelve-month earnings per share; and a 6.2% core deposit premium;

that, as of April 10, 2017, the transaction was estimated to be 3.6% accretive to tangible book value per share and 19.3% accretive from a cash earnings per share basis in the first full year after completion;

the understanding of Community's board of directors of the strategic options available to Community and the board of directors' assessment of those options with respect to the prospects and estimated

Table of Contents

results of the execution by Community of its business plan as an independent entity under various scenarios and the determination that none of those options or the execution of the business plan was more likely to create greater present value for Community's shareholders than the value to be paid by Sussex;

the prospects of profitably deploying Community's capital in a reasonable period of time;

the challenges facing Community's management to grow Community's franchise and enhance shareholders value given current market conditions, including increased operating costs resulting from regulatory and compliance mandates, continued pressure on net interest margin from the current interest rate environment and competition;

the strong capital position of the combined company and the larger scale and more diverse revenue of the combined company;

the ability of Sussex to pay the merger consideration and the relative value of the Sussex currency compared to peers;

the geographic fit and increased customer convenience of the expanded branch network of Sussex;

Sussex's business, operations, financial condition, asset quality, earnings and prospects, taking into account the results of Community's due diligence review of Sussex, and information provided by Community's financial advisor;

the historical stock market performance for Sussex common stock;

the enhanced legal lending limit and an expanded set of products and services that could benefit Community's customers;

the greater market capitalization and increased trading liquidity of the common stock of Sussex;

the terms of the merger agreement, including the representations, warranties and covenants of the parties, the merger consideration, the benefits to Community's employees and the absence of burdensome contingencies in the merger agreement;

the continued participation of three of Community's directors on the Sussex board of directors, which will allow them to advise Sussex with respect to Community's market area, deposit and lending activities and customer relationships;

the financial analysis presented by FinPro Capital Advisors, Inc. to Community's board of directors, and the opinion delivered to Community's board of directors by FinPro Capital Advisors, Inc. to the effect that, as of the date of the opinion, and subject to and based on the qualifications and assumptions set forth in the opinion, the merger consideration to be received by the holders of common stock of Community in the merger is fair, from a financial point of view, to such shareholders; and

the long-term and short-term interests of Community and its shareholders, the interests of the employees, customers, creditors and suppliers of Community, and community and societal considerations, including those of the communities in which Community maintains offices.

Community's board of directors also considered a number of potential risks and uncertainties associated with the merger in connection with its deliberation of the proposed transaction, including, without limitation, the following:

the potential risk of diverting management attention and resources from the operation of Community's business and towards the completion of the merger;

the restrictions on the conduct of Community's business before the completion of the merger, which are customary for merger agreements involving financial institutions, but which, subject to specific exceptions, could delay or prevent Community from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of Community absent the pending merger;

Table of Contents

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating Community's business, operations and workforce with those of Sussex;

the merger-related costs;

that the interests of certain of Community's directors and executive officers may be different from, or in addition to, the interests of Community's other shareholders as described under the caption **Interests of Community's Directors and Executive Officers in the Merger**;

the risk that the conditions to the parties' obligations to complete the merger agreement may not be satisfied, including the risk that necessary regulatory approvals or Community shareholders approval might not be obtained and, as a result, the merger may not be consummated;

the risk of potential employee attrition and/or adverse effects on business and customer relationships as a result of the pending Merger;

that Community would be: (1) prohibited from affirmatively soliciting acquisition proposals after execution of the merger agreement; and (2) obligated to pay to Sussex a termination fee if the merger agreement is terminated under certain circumstances, which may discourage other parties potentially interested in a strategic transaction with Community from pursuing such a transaction; and

the other risks described under the caption **Risk Factors** on page 30.

The foregoing discussion of the information and factors considered by the board of directors of Community is not intended to be exhaustive, but includes the material factors considered by the board of directors of Community. In reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement, the board of directors of Community did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The board of directors of Community considered all these factors as a whole, including discussions with, and questioning of Community's management and Community's independent financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

Community shareholders should be aware that Community's directors and executive officers have interests in the merger that are different from, or in addition to, those of other Community shareholders. The board of directors of Community was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement, and in recommending that the merger proposal be approved by the shareholders of Community. See **Community's Directors and Executive Officers Have Financial Interests in the Merger**.

This summary of the reasoning of the Board of Directors of Community and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading **Forward-Looking Statements**.

Recommendation of the Community Board of Directors

The Community board of directors has unanimously approved the merger agreement and recommends that Community shareholders vote **FOR** approval of the merger agreement and the transactions contemplated thereby.

Opinion of FinPro Capital Advisors, Inc., Financial Advisor to Community

Community engaged FinPro Capital Advisors, Inc. (FinPro) to act as its financial advisor in connection with its merger and acquisition activities. FinPro was also engaged to provide its opinion as to the fairness, from a financial point of view, to Community and its shareholders, of the consideration as proposed in the merger agreement, to be received by Community s common equity shareholders in the merger. FinPro is regularly

Table of Contents

engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. Community selected FinPro because of its knowledge of, experience with, and reputation in the financial services industry.

Community's board of directors considered and approved the merger agreement at a board of directors meeting held on April 10, 2017. FinPro delivered to the board of directors a fairness opinion presentation concluding that the merger consideration was fair to Community and its shareholders from a financial point of view.

The full text of FinPro's written opinion is attached as Annex B to this joint proxy statement and prospectus and is incorporated herein by reference.

Community shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by FinPro.

FinPro's opinion speaks only as of the date of such opinion. FinPro's opinion addresses only the fairness, from a financial point of view, of the consideration offered in the merger. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any Community shareholder as to how the shareholder should vote at the Community special meeting on the merger agreement or any related matter.

In rendering its opinion, FinPro considered among other things:

the merger agreement;

review of the most recent year end audited and quarter end unaudited financial statements for each of Community and Sussex;

review of certain other public and non-public information regarding each of Community and Sussex including internal financial forecasts, regarding the financial results and the condition of Community and Sussex;

review of the trading and merger market for bank and thrift stocks;

review of acquisition multiples of comparable institutions;

review of the potential investment value of Community's shares;

relative contribution of each entity to the pro forma combined institution; and

review of the pro forma financial impact of the transaction.

In performing its review and in rendering its opinion, FinPro has relied upon the completeness and accuracy of all of the financial and other information that was available to it from public sources, that was provided to it by Community and Sussex, or their representatives, or that was otherwise reviewed by FinPro, and has assumed such completeness and accuracy for purposes of rendering its opinion. FinPro has further relied on the assurances of management of Community that they are not aware of any facts or circumstances not within the actual knowledge of FinPro, as the case may be, that would make any of such information inaccurate or misleading. FinPro has not been asked to verify and has not undertaken any independent verification of such information, and FinPro does not assume any responsibility or liability for the completeness and accuracy thereof. FinPro has not made an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Community, Sussex, or any subsidiaries, or the collectability of any such assets, nor has FinPro been furnished with any such evaluations or appraisals. FinPro has not made any independent evaluation of the adequacy of the allowance for loan losses of Community or Sussex, nor has FinPro reviewed any individual credit files, and FinPro has assumed that the respective allowance for loan losses for each of Community and Sussex is adequate.

Table of Contents

FinPro also assumed, with Community's consent, that (i) each of the parties to the merger agreement would comply in all material respects with all material terms of the merger agreement, that all of the representations and warranties contained in the merger agreement were true and correct in all material respects, that each of the parties to the merger agreement would perform in all material respects all of the covenants required to be performed by such party under the merger agreement and that the conditions precedent in the merger agreement would not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Community, Sussex or the merger in any respect that would be material to FinPro's analyses, (iii) the merger and any related transaction would be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements, and (iv) the merger would qualify as a tax-free reorganization for federal income tax purposes. FinPro expressed no opinion as to any of the legal, accounting or tax matters relating to the merger or any other transactions contemplated in connection therewith.

FinPro's analyses and the views expressed in its opinion were necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to FinPro as of, the date of its opinion. Events occurring after the date of the opinion could materially affect FinPro's views. FinPro has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. FinPro expressed no opinion as to the trading values of Community common stock after the date of its opinion or what the value of Sussex common stock will be once it is actually received by the holders of Community common stock.

The following is a summary of the material analyses performed by FinPro and presented to the Community Board of Directors on April 10, 2017. The summary is not a complete description of all the analyses underlying FinPro's opinions. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. FinPro believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered, without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. The financial analyses summarized below include information presented in a tabular format. In order to understand fully the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.

No company included in FinPro's comparative analyses described below is identical to Community or Sussex and no transaction is identical to the merger. An analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Community and Sussex and the companies to which they are being compared. In arriving at its opinion, FinPro did not attribute any particular weight to any analysis or factor that it considered. Rather, FinPro made qualitative judgments as to the significance and relevance of each analysis and factor. FinPro did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion, rather, FinPro made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, FinPro also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Community, Sussex and FinPro. The analyses performed by FinPro are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. FinPro

prepared its analyses solely for purposes of rendering its opinion and provided such

Table of Contents

analyses to the Community board of directors at April 10, 2017 Community board of directors meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, FinPro's analyses do not necessarily reflect the value of Community common stock or the prices at which Community or Sussex common stock may be sold at any time. The analyses of FinPro and its opinion were among a number of factors taken into consideration by the Community board of directors in making its determination to approve the merger agreement and the analyses described below should not be viewed as determinative of the decision of the Community board of directors or management with respect to the fairness of the merger.

Community Historical Financial Perspective. Community's tangible book value per share declined from 2012 to 2013 but has then grown since 2013. Community has not paid a cash dividend over the prior three years. Community has modestly grown loans, deposits and assets since 2012, with each balance sheet category growing by less than 3% on a compound annual basis from year end 2012 to year end 2016. Capital levels have exceeded required regulatory levels. Nonperforming assets (excluding troubled debt restricting) to assets was elevated at 5.73% at year-end 2012 and has trended downward to 1.82% at year-end 2016, however the 2016 ratio was above the median ratio for the comparable acquisition group median described in the following section. Community had modestly profitability in 2012, was unprofitable in 2013 but has maintained profitability in 2014, 2015 and 2016 with an ROAE of 4.68%, 6.75% and 5.73%, respectively. After the net loss in 2013, Community recorded Earnings Per Share of \$0.63, \$0.95 and \$0.87 in 2014, 2015, and 2016 respectively.

Market Value Approach (Acquisition Comparables). FinPro reviewed publically available information related to selected whole bank transactions in Community's geographic region. The financial performance metrics of the acquired companies were compared to Community's most recent publically available financials. Multiples for the Sussex/Community transactions were analyzed relative to a comparable transaction group selected by FinPro. A regional comparable acquisition group was used as the primary group for the market value approach. As a secondary check, a nationwide comparable acquisition group with targets of similar size and risk profile was utilized. FinPro considered the following pricing multiples:

Price/Tangible Book Value: price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

Price/LTM (last twelve months) Earnings: price per common share paid for the acquired company to last twelve months earnings per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition; and

Core Deposit Premium: (excess of purchase price over tangible common equity) to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition.

Comparable Regional Group. For the primary group in the market value approach, FinPro used the following criteria to determine the Comparable Regional Group: Whole bank transactions announced after January 1, 2015, where the acquired company was headquartered in the states of New Jersey, New York, Pennsylvania, Maryland and Connecticut, where the acquired company had total assets between \$200 million and \$550 million with NPAs

(including TDRs)/Total Assets less than 4% and positive net income. The following transaction types were excluded from the analysis: transactions where the acquired company was structured as a mutual or mutual holding company; transactions in which the target had an ethnic focused customer base; purchase and assumption transactions; and transactions for which price to tangible book data was unavailable.

Table of Contents

The selected transactions were:

Acquirer's Full Name	Seller's Full Name	Seller's City, State
Mid Penn Bancorp, Inc.	Scottdale Bank & Trust Company	Scottdale, PA
Old Line Bancshares, Inc.	DCB Bancshares, Inc.	Damascus, MD
ACNB Corporation	New Windsor Bancorp, Inc.	New Windsor, MD
Standard Financial Corp.	Allegheny Valley Bancorp, Inc.	Pittsburgh, PA
Revere Bank	Monument Bank	Rockville, MD
DNB Financial Corporation	East River Bank	Philadelphia, PA
Norwood Financial Corp.	Delaware Bancshares, Inc.	Walton, NY
Lakeland Bancorp, Inc.	Harmony Bank	Jackson, NJ
Bay Bancorp, Inc.	Hopkins Bancorp, Inc.	Baltimore, MD
Revere Bank	BlueRidge Bank	Frederick, MD
Northfield Bancorp, Inc.	Hopewell Valley Community Bank	Pennington, NJ
Lakeland Bancorp, Inc.	Pascack Bancorp, Inc.	Waldwick, NJ
Citizens Financial Services, Inc.	First National Bank of Fredericksburg	Fredericksburg, PA
Liberty Bank	Naugatuck Valley Financial Corporation	Naugatuck, CT
WSFS Financial Corporation	Alliance Bancorp, Inc. of Pennsylvania	Broomall, PA
Howard Bancorp, Inc.	Patapsco Bancorp, Inc.	Dundalk, MD

The results of the analysis are set forth in the following table:

Comparison	Community/ Sussex	Regional Comparable Transactions (1)		
		25 th Percentile	Median	75 th Percentile
<u>Transaction Pricing at Announcement</u>				
Deal Value (\$, in millions)	45.4	23.1	41.3	56.3
Price/LTM Earnings (x)	27.0	20.3	21.2	35.5
Price/Tang. Book Value (%)	157.2	122.9	130.0	145.2
Core Deposit Premium (%) (2)	6.2	3.4	3.9	6.8
<u>Target's Financials at Announcement</u>				
Total Assets (\$, in millions)	340,500	257,395	310,903	424,369
Tang. Equity/Tang. Assets (%)	8.4	7.9	9.2	10.6
NPAs/Assets (%) (3)	2.4	0.6	1.2	1.6
ALLL/NPLs	46.7	61.6	72.6	84.8
LTM ROAA (%) (4)	0.5	0.3	0.5	0.7
LTM ROAE (%) (4)	5.7	3.1	4.9	7.2
Asset Growth (%) (5)	4.7	-1.3	2.2	5.1
Deposit Growth (%) (5)	5.6	0.5	2.6	4.5

(1) Source: SNL Financial, FinPro Computations for Sussex/Community transaction pricing multiples.

(2) Core Deposit Premium calculated as (Deal Value - Tangible Equity) / (Core Deposits). Core deposits defined as total deposits less time deposits >\$100,000.

- (3) Balances include all performing TDRs.
- (4) Tax-free partnerships tax impacted at 40%.
- (5) Most recent reported data relative to prior year.

The merger consideration price to tangible book multiple of 157.2% was above the 75th percentile for the regional comparable group, and price to LTM earnings of 27.0x was between the median and the 75th percentile for the regional comparable group. The merger consideration core deposit premium of 6.2% was also between the median and the 75th percentile for the regional comparable group.

Table of Contents

Comparable National Group. For the secondary group for the market value approach, FinPro used the following criteria to determine the Comparable National Group: Whole bank transactions announced after January 1, 2016 where the acquired company had total assets between \$300 million and \$400 million with NPAs (including TDRs)/Total Assets less than 4% and Return on Average Equity between 3% and 10%. The following transaction types were excluded from the analysis: transactions where the acquired company was structured as a mutual or mutual holding company; transactions in which the acquirer was a private investor; purchase and assumption transactions; and transactions for which price to tangible book data was unavailable.

The selected transactions were:

Acquirer's Full Name	Seller's Full Name	Seller's City, State
Old Line Bancshares, Inc.	DCB Bancshares, Inc.	Damascus, MD
ACNB Corporation	New Windsor Bancorp, Inc.	New Windsor, MD
Glacier Bancorp, Inc.	TFB Bancorp, Inc.	Yuma, AZ
Seacoast Banking Corporation of Florida	GulfShore Bancshares, Inc.	Tampa, FL
Bay Banks of Virginia, Inc.	Virginia BanCorp, Inc.	Petersburg, VA
United Community Bancorp, Inc.	Liberty Bancshares, Inc.	Alton, IL
HomeTrust Bancshares, Inc.	TriSummit Bancorp, Inc.	Kingsport, TN
United Community Financial Corp.	Ohio Legacy Corp	North Canton, OH
United Community Bancorp, Inc.	Illini Corporation	Springfield, IL
Sunshine Bancorp, Inc.	FBC Bancorp, Inc.	Orlando, FL
DNB Financial Corporation	East River Bank	Philadelphia, PA

Comparison	Community/ Sussex	Comparable National Transactions (1)		
		25 th Percentile	Median	75 th Percentile
<u>Transaction Pricing at Announcement</u>				
Deal Value (\$, in millions)	45.4	32.3	39.2	44.8
Price/LTM Earnings (%)	27.0	18.5	21.2	34.4
Price/Tang. Book Value (%)	157.2	128.4	139.5	150.1
Core Deposit Premium (%) (2)	6.2	3.3	5.2	7.1
<u>Target's Financials at Announcement</u>				
Total Assets (\$, in millions)	340,500	310,903	320,356	329,698
Tang. Equity/Tang. Assets (%)	8.4	8.6	9.8	10.7
NPAs/Assets (%) (3)	2.4	0.7	0.9	1.5
ALLL/NPLs	46.7	75.6	120.8	169.7
LTM ROAA (%) (4)	0.5	0.4	0.5	0.8
LTM ROAE (%) (4)	5.7	4.3	5.0	7.5
Asset Growth (%) (5)	4.7	1.5	4.2	5.5
Deposit Growth (%) (5)	5.6	0.7	5.1	8.1

(1) Source: SNL Financial, FinPro Computations for Sussex/Community transaction pricing multiples.

(2) Core Deposit Premium calculated as (Deal Value - Tangible Equity) / (Core Deposits). Core deposits defined as total deposits less time deposits >\$100,000.

- (3) Balances include all performing TDRs.
- (4) Tax-free partnerships tax impacted at 40%.
- (5) Most recent reported data relative to prior year.

The merger consideration price to tangible book multiple of 157.2% was above the 75th percentile for the national comparable group, and price to LTM earnings of 27.0x was between the median and the 75th percentile for the national comparable group. The merger consideration core deposit premium of 6.2% was also between the median and the 75th percentile for the national comparable group.

Table of Contents

Investment Value Approach (Discounted Cash Flow). FinPro performed a discounted cash flow (DCF) analysis to estimate a range of the present values of free cash flows that Community could generate on a stand-alone basis. The purpose of this analysis was to determine the range of present values of a potential Community liquidity event at the end of 2021. The DCF analysis is a widely used valuation methodology that relies on numerous assumptions, including Community's financial projections, terminal values, and discount rates. In performing this analysis, FinPro utilized projections provided by Community through December 31, 2018 and extrapolated those projections through December 31, 2021. The projections utilized for the investment value approach are shown below.

		12	12	12	12	12
		Months	Months	Months	Months	Months
		ending	ending	ending	ending	ending
Period Ending	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
	Actual	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Net Income (in thousands)	1,664	1,846	2,631	2,763	2,901	3,046
Total Shares Outstanding (in thousands)	1,918	1,918	1,918	1,918	1,918	1,918
Earnings Per Share	0.87	0.96	1.37	1.44	1.51	1.59
Tangible Common Equity (in thousands)	28,689	30,535	33,166	35,929	38,829	41,875
Total Shares Outstanding (in thousands)	1,918	1,918	1,918	1,918	1,918	1,918
Tangible Book Value Per Share	14.96	15.92	17.29	18.73	20.24	21.83

FinPro utilized a discount rate based on a Capital Asset Pricing Model (CAPM) approach. The CAPM model utilized the average of the 20 and 30 Year U.S. Treasury as of April 7, 2017 as the risk free rate, the decile 10 size premium, and the beta based on the 3 Year SNL U.S. Bank Index benchmarked against the S&P 500 as of April 7, 2017. This resulted in a base discount rate of 10.4%. A range of discount rates were utilized that were 2% and 1% below the base rate and 1% and 2% above the base rate. Thereby the discount rates ranged from 8.4% to 12.4%. In calculating the terminal value, FinPro utilized earnings multiples between 17.2 times and 25.2 times for a P/E (price to earnings) approach and between 110.0% and 150.0% for a P/TBVS (price to tangible book value approach). This resulted in a range of present values from \$13.37 to \$21.85 on a tangible book value basis and \$15.17 to \$26.66 per share on an earnings basis. The consideration at announcement based upon the fixed exchange ratio resulted in a takeout value of \$23.52 per share. This consideration value is above the entire range of present values on a tangible book value basis and is above more than 80% of the present values on an earnings basis.

Sussex Financial Condition, Performance and Comparable Company Analysis

The consideration being provided to Community by Sussex is based upon a fixed exchange ratio of 0.97 shares. FinPro conducted an analysis of Sussex common stock to determine that the value of its common stock in the exchange falls within an acceptable valuation range. FinPro considered the financial condition and performance of Sussex and comparisons to comparable companies on a trading basis.

FinPro selected ten companies it considered comparable to Sussex, utilizing the following criteria:

Banks headquartered in the Northeast and Mid-Atlantic regions traded on the NASDAQ or New York Stock Exchange with a market capitalization greater than \$100 million;

Total assets between \$600 million and \$1.3 billion;

Average daily trading volume over the prior three months of greater than 5,000;

NPAs (including performing TDRs) as a percentage of assets below 2%;

Excluding institutions with a mutual or MHC ownership structure;

Excluding Marlin Business Services, as they are a specialty institution; and

Excluding any publicly announced merger targets.

Table of Contents

The criteria resulted in the following Comparable Trading Group:

Company Name	City	State
1st Constitution Bancorp	Cranbury	NY
ACNB Corporation	Gettysburg	PA
CB Financial Services, Inc.	Carmichaels	PA
Citizens & Northern Corporation	Wellsboro	PA
Evans Bancorp, Inc.	Hamburg	NY
First Bank	Hamilton	NJ
Howard Bancorp, Inc.	Ellicott City	MD
Malvern Bancorp, Inc.	Paoli	PA
Two River Bancorp	Tinton Falls	NJ
Unity Bancorp, Inc.	Clinton	NJ

Market Pricing and Valuation as of April 7, 2017

	Sussex	25th Percentile	Median	75th Percentile
<u>Market Pricing and Valuation</u>				
Market Cap (\$ mil)	118.7	144.7	162.4	180.0
Price/MRQ Core EPS (x)	19.5	14.9	17.1	20.3
Price/Tangible Book (%)	202.7	157.8	159.2	166.0
Tangible Premium/Core Deposits (%)	11.1	7.9	8.9	10.3
LTM Dividend Payout Ratio (%)	13.4	13.2	27.8	45.2
Dividend Yield (%)	0.6	0.9	1.2	2.7
Avg. Daily Vol. (Three Month)	12,983	10,455	17,941	27,844
Avg. Daily Vol. (One Year)	7,933	8,150	12,528	16,929

Sussex trades above the 75th percentile on a price to tangible book value basis but between the median and the 75th percentile on a price to Most Recent Quarter Core EPS basis.

Sussex and Comparable Trading Group Balance Sheet Strength, Growth, Capital, Asset Quality and Profitability:

Comparison (1)	Sussex	25th Percentile	Median	75th Percentile
<u>Balance Sheet Strength, Composition</u>				
Total Assets (\$000s)	848,728	961,898	1,055,754	1,167,607
Cash/Deposits (%)	2.23	1.98	3.74	6.81
Gross Loans HFI/Total Assets (%)	81.92	75.63	80.05	80.59
Gross Loans/HFI Deposits (%)	105.20	94.62	98.95	101.12
Nonint. Bearing Deposits/Total Deposits (%)	20.04	19.12	21.04	22.74
<u>Growth (2)</u>				
Asset Growth Rate (%)	23.54	5.63	8.64	15.07
Loan Growth Rate (%)	27.94	6.85	8.30	18.70
Deposit Growth Rate (%)	27.63	5.79	7.06	14.75

Capital				
Tangible Equity/Tangible Assets (%)	6.77	8.40	8.96	9.59
Tangible Common Equity/Tangible Assets (%)	6.77	8.40	8.96	9.59
Asset Quality				
Adjusted Texas Ratio (%) (3)	9.22	6.77	8.21	9.00
Adjusted NPAs/Total Assets (%) (4)	1.05	0.64	1.00	1.07
Profitability				
Net Interest Margin (FTE) (%)	3.39	3.40	3.63	3.69
Core ROAA (%)	0.68	0.82	0.94	1.00
Core ROAE (%)	9.10	8.06	8.70	9.44

Table of Contents

- (1) Source: SNL Financial
- (2) Growth rates are for the trailing twelve months
- (3) Adjust Texas Ratio is defined as NPA ex. Performing TDRs / Tangible Equity + ALLL.
- (4) Adjusted NPAs is adjusted for FDIC loss share coverage.

Sussex has a smaller asset size than the comparable medians but loan levels are stronger. Asset, loan and deposit growth are very strong and well above comparable medians and the 75th percentile. Sussex's tangible common equity ratio is better leveraged than the comparable median, while asset quality ratios are generally in line with the comparables. Core ROAE is above the comparable median but below the 75th percentile.

Pro Forma Analysis. FinPro considered and reviewed the pro forma financial impact of the transaction to ensure that Sussex, post-transaction, has key ratios for the combined entity that are likely to be acceptable from a regulatory perspective. FinPro analyzed certain potential pro forma effects of the merger, based on the following assumptions: (i) the merger closes during the fourth quarter of 2017; (ii) 100% of the outstanding shares of Community common stock are converted into the stock consideration at a 0.97 exchange ratio; (iii) all outstanding Community stock options with an exercise price less than consideration price will be cancelled in exchange for a cash payment equal to the difference between the consideration price and the per share exercise price. FinPro also utilized the following: (a) estimated earnings per share for Sussex; (b) estimated earnings per share for Community utilizing the same projections as those utilized in the investment value approach; (c) purchase accounting adjustments consisting of (x) a credit mark on loans, (y) interest rate marks on investments, loans, certificates of deposit and borrowings and (z) a write-up on fixed assets based on estimated values of Community's properties; (d) cost savings projections provided by Sussex; (e) estimated costs and expenses associated with the merger; and (f) a core deposit intangible asset amortized over 10 years utilizing sum-of-the-digits methodology. The analysis indicated that the merger could be accretive to Sussex's estimated earnings per share (excluding one-time transaction costs and expenses) in 2017 and modestly accretive to estimated tangible book value per share at closing of the transaction.

Pro Forma Contribution Analysis. FinPro considered and reviewed the pro forma financial impact of the transaction to ensure that Sussex post-transaction has key ratios for the combined entity that are likely to be acceptable from a regulatory perspective. FinPro also analyzed the potential future benefit to Community shareholders and the relative contribution analysis of assets, gross loans, nonmaturity core deposits, tangible common equity and net income based upon pro forma financial analysis as of the closing of the transaction. Based upon the exchange ratio, Sussex shareholders would own 72% of the pro forma company and Community shareholders would own 28% of the pro forma company.

	Sussex Contribution	Community Contribution
Total Assets	73%	27%
Gross Loans (including HFS)	75%	25%
Core Deposits (1)	70%	30%
Tangible Common Equity	67%	33%
Historical Net Income (2)	78%	22%
Pro Forma Ownership	72%	28%

- (1) Core deposits shown in this table are all nonmaturity deposit balances
- (2) Historical net income adjusted for nonrecurring items

Miscellaneous. FinPro acted as financial advisor to Community associated with the proposed acquisition and did not act as an advisor to or agent of any other person.

FinPro is being compensated for its services. FinPro's fee is equal to 1.00% of the aggregate purchase price. A portion of this fee became payable to FinPro upon the rendering of FinPro's opinion and the signing of the

Table of Contents

merger agreement, a portion of which became payable upon the mailing of this document to Community shareholders, and the balance of which is contingent upon the consummation of the merger. Additionally, Community has agreed to reimburse FinPro for its out-of-pocket expenses and has agreed to indemnify FinPro and certain related persons against certain liabilities possibly incurred in connection with the services performed.

Prior to this engagement, FinPro has not provided investment banking services to Community within the past two years for which it has received compensation. No investment banking services have been provided to Sussex by FinPro in the last two years. FinPro, Inc., FinPro's parent organization has provided consulting partnership services to Community within the past two years. The amount of compensation received from Community for these services is not, and has not been, material to FinPro, Inc.'s annual gross revenue. FinPro, Inc. has provided consulting services to Sussex within the past two years. The amount of compensation received from Sussex for these services is not, and has not been, material to FinPro, Inc.'s annual gross revenue.

FinPro expresses no opinion as to the amount or nature of the compensation to be received by any of either bank's officers, directors or employees, or class of such persons. 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 which may be available to Community. The issuance of this opinion has been approved by FinPro's Fairness Opinion Committee.

Interests of Community's Directors and Executive Officers in the Merger

When Community's shareholders are considering the recommendation of the Community board of directors in connection with the merger agreement proposal, they should be aware that some of the directors and executive officers of Community have interests that are in addition to, or different from, the interests of Community's shareholders generally, which are described below. Sussex's and Community's boards of directors were aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated by the merger agreement.

The following discussion sets forth the interests in the merger of each person who has served as a director or executive officer of Community since January 1, 2016. Except as described below, to the knowledge of Community, the directors and executive officers of Community do not have any substantial interest, direct or indirect, by security holdings or otherwise in the merger or the merger agreement proposal apart from their interests as shareholders of Community. The amounts presented in the following discussion do not reflect the impact of applicable withholding or other taxes.

Treatment of Stock Options

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 of the merger 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.

Cash Payment for Stock Options

Edgar Filing: SUSSEX BANCORP - Form S-4/A

The following table sets forth, as of July 18, 2017 the number of shares of Community common stock underlying the options held by each director and executive officer of Community, as well as the cash payment

Table of Contents

that each director and executive officer of Community would receive, assuming that the consummation of the merger occurred on the same date:

	Shares Underlying Outstanding Options (#)	Cash Payment (\$)
<u>Executive Officer</u>		
Peter A. Michelotti (1)	3,466	29,852
Cecelia McMullen James	1,733	20,962
Barbara J. Maier	1,560	17,503
Raymond Zachmann	1,560	17,510
Vincent J Fantacone III	925	10,777
<u>Director</u>		
Marianne Byrne	3,178	25,845
Carlton E. Meier	3,178	25,845
Jean D. Michelotti	2,312	15,824
Walter E. Loeffler	0	
Dominick D Agosta	0	
Dominick Langieri (2)	0	

(1) Also a director.

(2) Dominick Langieri was a director from January 1, 2016 until the 2016 Community Annual Meeting held on April 26, 2016.

Payments Under Amendment Agreements with Sussex, Sussex Bank, and Community

Mr. Michelotti, Ms. James and Mr. Fantacone each entered into an amendment agreement with Sussex, Sussex Bank, and Community, amending their respective employment agreements with Community. Pursuant to their respective agreements: (i) Mr. Michelotti will be paid approximately \$725,000 within five days of the effective time of the merger; (ii) Mr. Fantacone will be paid \$116,768 within five days of the effective time of the merger; and (iii) Ms. James will be paid approximately \$427,000 within five days of the effective time of the merger. The payments are in consideration for each individual agreeing to terminate his or her respective existing employment agreement and all amounts paid will be subject to applicable tax withholdings. If the merger does not occur on or prior to December 31, 2017, or if the merger agreement is terminated prior to the consummation of the merger, these amendment agreements will expire and be of no further effect, the executives will not receive the payments described above, and the terms of the existing employment agreements will be reinstated.

Employment Agreement with Sussex and Sussex Bank

Concurrently with the execution of the merger agreement, Mr. Michelotti entered into an employment agreement with Sussex and Sussex Bank that will be effective as of the closing date of the merger. Under the agreement, Mr. Michelotti will serve as Senior Executive Vice President and Chief Operating Officer of Sussex and Sussex Bank. The employment agreement provides for a two-year term, commencing on the closing date of the merger. The agreement also provides for the payment of an annual base salary in the amount of \$245,000. The agreement further

provides for participation in the incentive plan for executive officers of Sussex and Sussex Bank and any other employee benefit, incentive or retirement plans offered to employees generally or to senior management of Sussex or Sussex Bank, as well as automobile and country club benefits. In the event that Mr. Michelotti's employment is terminated by Sussex and Sussex Bank without cause before or after a change in control of Sussex or Mr. Michelotti resigns for cause outside of the 18-month period following the occurrence of a change in control of Sussex, he is entitled to receive a lump sum severance payment equal to the amount of

Table of Contents

base salary that would have been paid to him for the lesser of (i) one year or (ii) the remaining unexpired term of the agreement (such period, the *Remaining Unexpired Term*), plus Sussex and Sussex Bank will continue to provide Mr. Michelotti with hospital, medical, life and other like benefits in effect at the time of such termination for *Remaining Unexpired Term* to the extent such continued benefits are not duplicative of benefits provided by Mr. Michelotti's subsequent employers. In the event that Mr. Michelotti's employment is terminated by Sussex and Sussex Bank upon the occurrence of a change in control of Sussex or Mr. Michelotti resigns for cause with 18 months following the occurrence of a change in control of Sussex, he is entitled to a lump sum payment equal to two times his then-current base salary, plus hospital, medical, life and other like benefits in effect at the time of such termination for a period of two years following termination. In the event of the termination of his employment with Sussex and Sussex Bank, for a period of one year following the date of such termination he will be subject to certain non-competition, non-solicitation, non-hire and cooperation covenants.

Potential Payments Under Employment Agreements with Community

On January 1, 2013 (as amended on January 1, 2017), January 1, 2013 and January 1, 2017, Community entered into employment agreements with Mr. Zachmann, Ms. Maier and Ms. Derian, respectively. Except as otherwise noted below, each agreement provides for substantially the same change in control severance benefits, which could become payable if any of the executive officers experiences a qualifying termination of employment following the consummation of the merger. In the event that Community (or its successor) terminates the applicable executive officer's employment other than for cause or if the executive officer resigns for good reason effective within 24 months after a change in control of Community, subject to the execution and delivery of a release of claims against Community, such executive officer is entitled to a lump sum payment equal to one times the executive officer's then-current base salary (or, for Ms. Derian, one-half of her then-current base salary), payable within 30 days following the termination date. In addition, Community will provide the same (or similar, if modified for similarly situated executives) health benefit plan to the applicable executive officer for 12 months (or, for Ms. Derian, 6 months) following termination. In the event of any termination of employment, for a period of 12 months (or, for Ms. Derian, 6 months) following the termination date, the executive officers will be subject to certain non-solicitation and non-hire covenants.

Community's 2011 Executive Retirement Incentive Plan

Community maintains the 2011 Executive Retirement Incentive Plan (the *Retirement Incentive Plan*) for the benefit of certain executives selected for participation by Community's board of directors, including Mr. Michelotti, Ms. James, Ms. Maier, Mr. Zachmann, and Mr. Fantacone. The Retirement Incentive Plan is a nonqualified deferred compensation plan intended to provide supplemental retirement income to participants. Under the Retirement Incentive Plan, each participant has a notional account that is credited with (i) annual incentive awards based on the participant's salary and Community's satisfaction of certain predetermined performance benchmarks and (ii) interest. In general, participants become vested in their account balances after ten years of service and do not receive distributions until they experience a separation from service. At the effective time of the merger, however, participants will become fully vested in their account balances and receive a lump sum distributions in the amount of their vested account balances, in each case, pursuant to the terms of the Retirement Incentive Plan.

Table of Contents

The following table sets forth, as of July 18, 2017 the amount that would be payable to each executive officer under the Retirement Incentive Plan, assuming that the consummation of the merger occurred on the same date:

Executive Officer	Cash Payment (\$)
Peter A. Michelotti	\$ 60,688
Cecelia McMullen James	\$ 45,273
Barbara J. Maier	\$ 20,421
Raymond Zachmann	\$ 20,300
Vincent J Fantacone III	\$ 10,537

Appointment of Three Directors to Sussex and Sussex Bank Boards

At the effective time of the merger, Mr. Michelotti, the current President and Chief Executive Officer of Community, and Dominick J. D'Agosta and Walter E. Loeffler, current members of the Community board, will become 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. Each director will be entitled to receive compensation from Sussex and Sussex Bank for their services on the boards in accordance with the fee schedule for services that is applicable from time to time for similar services by other members of Sussex's and Sussex Bank's boards.

Indemnification and Insurance of Directors and Officers

Pursuant to the merger agreement, Sussex has agreed that, for a period of six years after the effective date of the merger, it will indemnify, defend and hold harmless each present and former officer and director of Community against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation arising out of matters existing or occurring at or prior to the effective time of the merger, whether asserted or claimed prior to, at or after the Effective Time, arising out of the fact that he or she was a director or officer of Community or is or was serving at the request of Community as a director, officer, employee or other agent of any other organization or in any capacity with respect to any employee benefit plan of Community, including without limitation matters related to the negotiation, execution and performance of the merger agreement or any of the related transactions, to the fullest extent which Sussex is entitled to indemnify persons serving at its request as directors and officers of another corporation or other enterprise under the Restated Certificate of Incorporation of Sussex as in effect on the date of the merger agreement (and Sussex has acknowledged that the present and former officers and directors of Community are serving at its request for such purposes).

In addition, Sussex has agreed to maintain a directors' and officers' liability insurance policy for six years after the effective time of the merger to cover the present officers and directors of Sussex and Sussex Bank with respect to claims against such directors and officers arising from facts or events that occurred before the effective time of the merger; provided that, Sussex is not obligated to pay each year more than 200% of Sussex's annual premiums for such coverage.

Sussex's Reasons for the Merger

In reaching its decision to approve the merger agreement and related transactions, the Sussex board of directors evaluated the merger and related transactions in consultation with senior management, Sussex s

Table of Contents

financial advisor and Sussex's legal counsel, and considered a number of factors, including, among others, the following, which are not presented in order of priority:

information concerning the business, operations, financial condition, earnings and prospects of each of Sussex and Community as separate entities and on a combined basis, including that the transaction is estimated to be approximately 12% accretive from an earnings per share perspective for the pro forma company in the first full year after completion;

the merger will expand and enhance Sussex's existing franchise in the attractive market of Bergen County;

the merger will increase Sussex's assets in Bergen County by 162.1% and increase Sussex's deposits in Bergen County by 485.1%, with resulting economies of scale;

the opportunity to further diversify Sussex's customer base as a whole, by expanding the size of its footprint through the merger, and to do so in a market where Sussex has an existing presence;

the compatibility of the cultures of Sussex and Community, particularly with respect to the meeting of local banking needs and strong community ties;

the potential challenges in combining the two banks;

the agreement by Peter A. Michelotti to remain with Sussex and the combined bank for two years following the merger and the addition of three Community board members, including Mr. Michelotti, to the Sussex board;

the potential for the combined bank to enhance non-interest income growth by providing enhanced and additional financial products and services to the customers of Community;

the anticipated operating efficiencies, cost savings, new branding and opportunities for revenue enhancements of the combined bank following the completion of the merger, and the likelihood that they would be achieved after the merger;

the fact that the merger is likely to provide an increase in shareholder value, including the benefits of a stronger strategic position;

the structure of the merger and the financial and other terms of the merger agreement, including the fixed exchange ratio and Sussex's right to terminate the merger agreement if the price of Sussex common stock decreases to the extent set forth in the merger agreement (with Sussex's option to increase the exchange ratio to avoid termination);

the deal protection provided by the terms of the merger agreement and the termination fee of \$1,816,000 to Sussex under certain circumstances;

the opinion, dated April 5, 2017, of KBW 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, as more fully described below under Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Sussex beginning on page 99;

the intended tax treatment of the merger as a tax-free reorganization; and

the likelihood of receiving all of the regulatory approvals required for the merger.

The foregoing discussion of the factors considered by the Sussex board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the board. Based on the factors described above, the Sussex board of directors determined that the merger with Community was advisable and that the merger agreement and the transactions contemplated by the merger agreement were in the best interests of Sussex and its shareholders, and voted unanimously to adopt and approve the merger agreement and related documents and the transactions contemplated by the merger agreement. In view of the wide variety and complexity of factors

Table of Contents

considered by the Sussex board of directors in connection with its evaluation of the merger, the board of directors did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any factor, was favorable or unfavorable to the ultimate determination of the board. Rather, the Sussex board of directors made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different factors.

Recommendation of the Sussex Board of Directors

The Sussex board of directors has unanimously adopted and approved the merger agreement and recommends that Sussex shareholders vote **FOR** adoption and approval of the merger agreement and the transactions contemplated thereby.

Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Sussex

Sussex engaged Keefe, Bruyette & Woods, Inc. (KBW) to render financial advisory and investment banking services to Sussex, including an opinion to the Sussex board of directors as to the fairness, from a financial point of view, to Sussex of the exchange ratio in the proposed merger. Sussex selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger. As part of its investment banking business, KBW is continually engaged in the valuation of financial services businesses and their securities in connection with mergers and acquisitions.

As part of its engagement, representatives of KBW attended the meeting of the Sussex board held on April 5, 2017, at which the Sussex board evaluated the proposed merger. At this meeting, KBW reviewed the financial aspects of the proposed merger and rendered an opinion (which was initially rendered verbally and confirmed by a written opinion, dated April 5, 2017) to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW as set forth in such opinion, the exchange ratio in the proposed merger was fair, from a financial point of view, to Sussex.

The description of the opinion set forth herein is qualified in its entirety by reference to the full text of the opinion, which is attached as Annex C to this document and is incorporated herein by reference, and describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in preparing the opinion.

KBW's opinion speaks only as of the date of the opinion. The opinion was for the information of, and was directed to, the Sussex board (in its capacity as such) in connection with its consideration of the financial terms of the merger. The opinion addressed only the fairness, from a financial point of view, of the exchange ratio in the merger to Sussex. It 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 in connection with the merger, and it does not constitute a recommendation to any holder of Sussex common stock or any shareholder of any other entity as to how to vote in connection with the merger or any other matter, nor does it constitute a recommendation as to whether or not any such shareholder should enter into a voting, shareholders', affiliates or other agreement with respect to the merger or exercise any dissenters' or appraisal rights that may be available to such shareholder.

KBW's opinion was reviewed and approved by KBW's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

Table of Contents

In connection with the opinion, KBW reviewed, analyzed and relied upon material bearing upon the financial and operating condition of Sussex and Community and bearing upon the merger, including, among other things:

a draft of the merger agreement, dated March 31, 2017 (the most recent draft then made available to KBW);

the audited financial statements and the Annual Reports on Form 10-K for the three fiscal years ended December 31, 2016 of Sussex;

the audited financial statements for the three fiscal years ended December 31, 2016 of Community;

certain unaudited monthly financial results for Community in respect of January 2017 (provided to KBW by representatives of Community);

certain regulatory filings of Sussex, Sussex Bank and Community, including (as applicable) the semi-annual reports on Form FR Y-9SP and quarterly reports on Form FR Y-9C and quarterly call reports required to be filed with respect to each semi-annual period and quarter (as the case may be) during the three year period ended December 31, 2016;

certain other interim reports and other communications of Sussex and Community to their respective shareholders; and

other financial information concerning the respective businesses and operations of Sussex and Community furnished to KBW by Sussex and Community or which KBW was otherwise directed to use for purposes of its analysis.

KBW's consideration of financial information and other factors that it deemed appropriate under the circumstances or relevant to its analyses included, among others, the following:

the historical and current financial position and results of operations of Sussex and Community;

the assets and liabilities of Sussex and Community;

the nature and terms of certain other merger transactions and business combinations in the banking industry;

a comparison of certain financial and stock market information of Sussex and Community with similar information for certain other companies, the securities of which were publicly traded;

financial and operating forecasts and projections of Community that were prepared by Sussex management, provided to KBW and discussed with KBW by such management, and used and relied upon by KBW at the direction of such management and with the consent of the Sussex board;

publicly available consensus street estimates of Sussex, as well as assumed Sussex long term growth rates provided to KBW by Sussex management, all of which information was discussed with KBW by such management and used and relied upon by KBW at the direction of such management and with the consent of the Sussex board; and

estimates regarding certain pro forma financial effects of the merger on Sussex (including without limitation the cost savings and related expenses expected to result or be derived from the merger) that were prepared by Sussex management, provided to and discussed with KBW by such management, and used and relied upon by KBW at the direction of such management and with the consent of the Sussex board.

KBW also performed such other studies and analyses as it considered appropriate and took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuation and knowledge of the banking industry generally. KBW also participated in discussions that were held by management of each of Sussex and Community regarding the past and current business operations, regulatory relations, financial condition and future prospects of each of their respective companies and such other matters as KBW deemed relevant to its inquiry.

Table of Contents

In conducting its review and arriving at its opinion, KBW relied upon and assumed the accuracy and completeness of all of the financial and other information provided to it or that was publicly available, and KBW did not independently verify the accuracy or completeness of any such information or assume any responsibility or liability for such verification, accuracy or completeness. KBW relied upon the management of Sussex as to the reasonableness and achievability of the financial and operating forecasts and projections of Community, the publicly available consensus street estimates of Sussex and assumed Sussex long-term growth rates, and the estimates regarding certain pro forma financial effects of the merger on Sussex (including, without limitation, the cost savings, and related expenses expected to result or be derived from the merger), all as referred to above, as well as the assumptions set forth in and the bases for all such information. KBW assumed, at the direction of Sussex, that all of such forecasts, projections and estimates were reasonably prepared on bases reflecting, or in the case of the publicly available consensus street estimates of Sussex referred to above were consistent with, the best currently available estimates and judgments of Sussex management, and that the forecasts, projections and estimates reflected in such information would be realized in the amounts and in the time periods estimated.

It is understood that the forecasts, projections and estimates of Sussex and Community that were provided to and discussed with KBW were not prepared with the expectation of public disclosure, that all such forecasts, projections and estimates, together with the publicly available consensus street estimates of Sussex referred to above were based on numerous variables and assumptions that are inherently uncertain, including, without limitation, factors related to general economic and competitive conditions and that, accordingly, actual results could vary significantly from those set forth in such information. KBW assumed, based on discussions with Sussex management, and with the consent of the Sussex board, that all such information provided a reasonable basis upon which KBW could form its opinion and KBW expressed no view as to any such information or the assumptions or bases therefor. KBW relied on all such information without independent verification or analysis and did not in any respect assume any responsibility or liability for the accuracy or completeness thereof.

KBW also assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of either Sussex or Community since the date of the last financial statements of each such entity that were made available to KBW and that KBW was directed to use. KBW is not an expert in the independent verification of the adequacy of allowances for loan and lease losses and KBW assumed, without independent verification and with Sussex's consent, that the aggregate allowances for loan and lease losses for each of Sussex and Community are adequate to cover such losses. In rendering its opinion, KBW did not make or obtain any evaluations or appraisals or physical inspection of the property, assets or liabilities (contingent or otherwise) of Sussex or Community, the collateral securing any of such assets or liabilities, or the collectability of any such assets, nor did KBW examine any individual loan or credit files, nor did it evaluate the solvency, financial capability or fair value of Sussex or Community under any state or federal laws, including those relating to bankruptcy, insolvency or other matters. Estimates of values of companies and assets do not purport to be appraisals or necessarily reflect the prices at which companies or assets may actually be sold. Because such estimates are inherently subject to uncertainty, KBW assumed no responsibility or liability for their accuracy.

KBW assumed, in all respects material to its analyses:

the merger and any related transactions would be completed substantially in accordance with the terms set forth in the merger agreement (the final terms of which KBW assumed would not differ in any respect material to its analyses from the draft version of the merger agreement that had been reviewed) with no adjustments to the exchange ratio and with no other consideration or payments in respect of the Community common stock;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement were true and correct;

each party to the merger agreement or any of the related documents would perform all of the covenants and agreements required to be performed by such party under such documents;

that there are no factors that would delay or subject to any adverse conditions, any necessary regulatory or governmental approval for the merger and any related transaction and that all conditions to the

Table of Contents

completion of the merger or any related transaction would be satisfied without any waivers or modifications to the merger agreement or any of the related documents; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger and any related transactions, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, would be imposed that would have a material adverse effect on the future results of operations or financial condition of Sussex, Community or the pro forma entity or the contemplated benefits of the merger, including without limitation the cost savings and related expenses expected to result or be derived from the merger.

KBW assumed that the merger would be consummated in a manner that complies with the applicable provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations. KBW was further advised by representatives of Sussex that Sussex relied upon advice from its advisors (other than KBW) or other appropriate sources as to all legal, financial reporting, tax, accounting and regulatory matters with respect to Sussex, Community, the merger and any related transaction, and the merger agreement. KBW did not provide advice with respect to any such matters.

KBW's opinion addressed only the fairness, from a financial point of view, as of the date of such opinion, of the exchange ratio in the merger to Sussex. KBW expressed no view or opinion as to any other terms or aspects of the merger or any term or aspect of any related transaction, including without limitation, the form or structure of the merger or any related transaction, any consequences of the merger to Sussex, its shareholders, creditors or otherwise, or any terms, aspects, merits or implications of any employment, retention, consulting, voting, support, cooperation, shareholder or other agreements, arrangements or understandings contemplated or entered into in connection with the merger, any related transaction, or otherwise. KBW's opinion was necessarily based upon conditions as they existed and could be evaluated on the date of such opinion and the information made available to KBW through such date. Developments subsequent to the date of KBW's opinion may have affected, and may affect, the conclusion reached in KBW's opinion and KBW did not and does not have an obligation to update, revise or reaffirm its opinion. KBW's opinion did not address, and KBW expressed no view or opinion with respect to:

the underlying business decision of Sussex to engage in the merger or enter into the merger agreement;

the relative merits of the merger as compared to any strategic alternatives that are, have been or may be available to or contemplated by Sussex or the Sussex board;

any business, operational or other plans with respect to Community or the pro forma entity that may be currently contemplated by Sussex or the Sussex board or that may be made by Sussex or the Sussex board subsequent to the closing of the merger;

the fairness of the amount or nature of any compensation to any of Sussex's officers, directors or employees, or any class of such persons, relative to any compensation to the holders of Sussex common stock or relative to the exchange ratio;

the effect of the merger or any related transaction on, or the fairness of the consideration to be received by, holders of any class of securities of Sussex, Community or any other party to any transaction contemplated by the merger agreement;

any adjustment (as provided in the merger agreement) to the exchange ratio assumed to be paid in the merger for purposes of KBW's opinion;

the actual value of Sussex common stock to be issued in connection with the merger;

the prices, trading range or volume at which Sussex common stock or Community common stock would trade following the public announcement of the merger or the prices, trading range or volume at which Sussex common stock would trade following the consummation of the merger;

Table of Contents

any advice or opinions provided by any other advisor to any of the parties to the merger or any other transaction contemplated by the merger agreement; or

any legal, regulatory, accounting, tax or similar matters relating to Sussex, Community, any of their respective shareholders, or relating to or arising out of or as a consequence of the merger or any other related transaction, including whether or not the merger would qualify as a tax-free reorganization for United States federal income tax purposes.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of KBW, Sussex and Community. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses.

Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the Sussex board in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Sussex board with respect to the fairness of the exchange ratio. The type and amount of consideration payable in the merger were determined through negotiation between Sussex and Community and the decision of Sussex to enter into the merger agreement was solely that of the Sussex board.

The following is a summary of the material financial analyses presented by KBW to the Sussex board in connection with its opinion. The summary is not a complete description of the financial analyses underlying the opinion or the presentation made by KBW to the Sussex board, but summarizes the material analyses performed and presented in connection with such opinion. The financial analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex analytic process involving various determinations as to appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion.

For purposes of the financial analyses described below, KBW utilized an implied transaction value for the proposed merger of \$46.5 million, or \$24.10 per outstanding share of Community common stock, based on the 0.97x exchange ratio in the proposed merger and the closing price of Sussex common stock on April 4, 2017.

Community Bank of Bergen County Selected Companies Analysis. Using publicly available information, KBW compared the financial performance, financial condition and market performance of Community to 19 selected publicly traded banks and thrifts, including Sussex, headquartered in the New York City Metropolitan Statistical Area with total assets between \$200 million and \$1.0 billion. Merger targets and mutual holding companies were excluded from the selected companies.

Table of Contents

The selected companies were as follows:

Bancorp of New Jersey, Inc.	Highlands Bancorp, Inc.
Berkshire Bancorp Inc.	MSB Financial Corp.
Carver Bancorp, Inc.	New Millennium Bank
Country Bank Holding Company, Inc.	Orange County Bancorp, Inc.
Empire Bancorp Inc.	Shore Community Bank
Enterprise Bank N.J.	Stewardship Financial Corporation
ES Bancshares, Inc.	Sussex Bancorp
First American International Corp.	Two River Bancorp
Gold Coast Bank	VSB Bancorp, Inc.
Greater Hudson Bank	

To perform this analysis, KBW used profitability and other financial information for, as of, or, in the case of latest 12 months (LTM) information, through the most recent completed quarter available (which in the case of Community was the fiscal quarter ended December 31, 2016) and market price information as of April 4, 2017. Where consolidated holding company level financial data for the selected companies was unreported, subsidiary bank level data was utilized to calculate ratios (except that, in the case of Sussex, consolidated holding company level leverage and total risk-based capital ratios were provided by Sussex management). Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Community's historical financial statements, or the data prepared by Community's financial advisor presented under the section The Merger Opinion of FinPro Capital Advisors, Inc., Financial Advisor to Community, as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW's analysis showed the following concerning the financial performance of Community and the selected companies:

	Selected Companies				
	Community	Bottom Quartile	Average	Median	Top Quartile
LTM Core Return on Average Assets (%) (1)	0.50	0.45	0.57	0.65	0.71
LTM Core Return on Average Equity (%) (1)	5.72	4.24	5.94	6.75	8.03
LTM Net Interest Margin (%)	3.38	3.09	3.33	3.20	3.47
LTM Fee Income / Revenue Ratio (%) (2)	7.2	3.1	12.6	12.8	20.1
LTM Efficiency Ratio (%)	77.1	79.8	74.5	72.4	68.0

(1) Core income excludes extraordinary items, gain/loss on sale of securities, nonrecurring revenue/expenses and amortization of intangibles as calculated by SNL Financial.

(2) Excludes gains / losses on sale of securities.

KBW's analysis also showed the following concerning the financial condition of Community and the selected companies:

	Selected Companies				
	Community	Bottom Quartile	Average	Median	Top Quartile
Tangible Common Equity / Tangible Assets (%)	8.43	6.78	9.02	9.16	9.81
Leverage Ratio (%)	8.45	8.96	10.20	9.59	10.09
Total Risk-Based Capital Ratio (%)	15.69	12.93	15.52	14.35	16.60
Loans / Deposits (%)	75	80	89	92	99
Loan Loss Reserve / Gross Loans (%)	1.37	1.13	1.32	1.26	1.39
Nonperforming Assets / Loans + OREO (%)	3.59	2.64	1.88	1.50	1.13
Nonperforming Assets / Assets	2.43	1.69	1.35	1.07	0.78
LTM Net Charge-Offs / Average Loans	0.17	0.04	0.04	0.01	(0.01)

Table of Contents

In addition, KBW's analysis showed the following concerning the market performance of Community and the selected companies (other than Country Bank Holding Company, Inc. due to lack of recent public trading information and, in the case of one year stock price change, Gold Coast Bank and also excluding the impact of the LTM earnings per share (EPS) multiples for five of the selected companies, which multiples were considered to be not meaningful because they were either less than 5.0x or greater than 30.0x):

	Selected Companies				
	Community	Bottom Quartile	Average	Median	Top Quartile
One Year Stock Price Change (%)	34.1	14.4	32.3	34.4	43.9
1-year Total Return (%)	34.1	17.4	35.0	34.6	44.3
Year-to-Date Price Change (%)	3.0	3.6	12.2	10.9	19.0
Stock Price / Tangible Book Value per Share (x)	0.93	0.98	1.28	1.12	1.48
Stock Price / LTM EPS (x)	16.0	12.2	17.0	15.4	20.9
Dividend Yield (%) (1)	0.0	0.0	0.6	0.0	0.9
LTM Dividend Payout Ratio (%) (1)	0.0	14.7	27.0	17.0	26.5

(1) Based on the eight selected companies which paid quarterly dividends in the most recent completed quarter available.

No company used as a comparison in the above selected companies analysis is identical to Community. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved.

Sussex Selected Companies Analysis. Using publicly available information, KBW compared the financial performance, financial condition and market performance of Sussex to 17 selected publicly traded banks and thrifts, including Community, headquartered in New Jersey with total assets between \$250 million and \$2.0 billion. Merger targets, mutual holding companies and Marlin Services Corp. (the banking subsidiary of which is located in Utah) were excluded from the selected companies.

The selected companies were as follows:

1 st Colonial Bancorp, Inc.	Highlands Bancorp, Inc.
1 st Constitutional Bancorp	MSB Financial Corp.
Bancorp of New Jersey, Inc.	New Millenium Bank
Bank of Princeton	Parke Bancorp, Inc.
BCB Bancorp, Inc.	Shore Community Bank
Capital Bank of New Jersey	Stewardship Financial Corporation
Clifton Bancorp Inc.	Two River Bancorp
Community Bank of Bergen County, NJ	Unity Bancorp, Inc.
First Bank	

To perform this analysis, KBW used profitability and other financial information for, as of, or, in the case of LTM information, through the most recent completed quarter available (which in the case of Sussex was the fiscal quarter

ended December 31, 2016) and market price information as of April 4, 2017. KBW also used 2017 and 2018 earnings per share estimates taken from consensus street estimates of Sussex and the four selected companies for which consensus street estimates were publicly available. Where consolidated holding company level financial data for the selected companies was unreported, subsidiary bank level data was utilized to calculate ratios. In the case of Sussex, consolidated holding company level leverage and total risk-based capital ratios were provided by Sussex management. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Sussex's historical financial statements, or the data prepared by Community's financial advisor presented under the section The Merger Opinion of

Table of Contents

FinPro Capital Advisors, Inc., Financial Advisor to Community , as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW s analysis showed the following concerning the financial performance of Sussex and the selected companies:

	Sussex	Selected Companies			Top Quartile
		Bottom Quartile	Average	Median	
LTM Core Return on Average Assets (%) (1)	0.68	0.50	0.75	0.69	0.95
LTM Core Return on Average Equity (%) (1)	9.10	6.23	8.15	8.31	10.63
LTM Net Interest Margin (%)	3.37	3.13	3.36	3.34	3.58
LTM Fee Income / Revenue Ratio (2)	23.2	6.2	12.1	10.6	16.2
LTM Efficiency Ratio (%)	68.7	77.1	66.8	65.4	59.3

(1) Core income excludes extraordinary items, gain/loss on sale of securities, nonrecurring revenue/expenses and amortization of intangibles as calculated by SNL Financial.

(2) Excludes gains/losses on sale of securities.

KBW s analysis also showed the following concerning the financial condition of Sussex and the selected companies:

	Sussex	Selected Companies			Top Quartile
		Bottom Quartile	Average	Median	
Tangible Common Equity / Tangible Assets (%)	6.77	8.14	9.70	8.82	10.01
Leverage Ratio (%)	8.47	8.45	10.51	9.02	10.14
Total Risk Based Capital Ratio (%)	13.56	12.05	15.39	12.88	15.58
Loans / Deposits (%)	105	84	93	97	101
Loan Loss Reserve / Gross Loans (%)	0.96	1.14	1.29	1.26	1.37
Nonperforming Assets / Loans + OREO (%)	1.27	2.74	1.91	1.30	0.84
Nonperforming Assets / Assets	1.05	2.42	1.50	1.05	0.69
LTM Net Charge-Offs / Average Loans (%)	0.03				