SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

IBS FINANCIAL CORP

CIK:**925780**| IRS No.: **223301933** | State of Incorp.:**NJ** | Fiscal Year End: **0930**
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SIC: **6036** Savings institutions, not federally chartered

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

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: SEPTEMBER 30, 1996

OR

----- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No.: 0-24862

IBS FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

New Jersey	22-3301933
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1909 East Route 70 Cherry Hill, New Jersey	08003
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (609) 424-1000

Securities registered pursuant to Section 12(b) of the Act:
NOT APPLICABLE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK (PAR VALUE $.01 PER SHARE)

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ----

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

As of December 12, 1996, the aggregate value of the 8,533,433 shares of Common Stock of the Registrant issued and outstanding on such date, which excludes 1,402,472 shares held by all directors and officers of the Registrant as a group, was approximately $132.3 million. This figure is based on the last known trade price of $15.50 per share of the Registrant's Common Stock on December 12, 1996.

Number of shares of Common Stock outstanding as of December 12, 1996: 9,935,905

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated:

(1) Portions of the Annual Report to Stockholders for the fiscal year ended September 30, 1995 are incorporated into Parts II and IV.

(2) Portions of the definitive proxy statement for the Annual Meeting of Stockholders are incorporated into Part III.

PART I.

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ITEM 1. BUSINESS

GENERAL

IBS Financial Corp. (the "Company") is a New Jersey corporation and sole stockholder of Inter-Boro Savings and Loan Association (the "Association") which converted to the stock form of organization in October 1994. The only significant assets of the Company are its investments in the capital stock of the Association and IBSF Investment Corp., a wholly-owned investment subsidiary, the Company's loan to an employee stock ownership plan, and certain U.S. Government Agency securities.

The Association is a New Jersey chartered stock savings and loan association which conducts business from ten offices located in Camden, Burlington and Gloucester Counties, New Jersey. The Association's operations date back to 1890. The Association's deposits are insured by the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation ("FDIC") to the maximum extent permitted by law.

The Company has traditionally offered a variety of savings products to its retail customers. The Company invests its funds in U.S. Government, U.S. Government agency and mortgage-backed securities, other short term investments and has concentrated its lending activities on real estate loans secured by single (i.e., "one-to-four") family residential properties. In fiscal 1996, the Company also expanded its investment in commercial real estate loans. The commercial real estate loans originated are collateralized by small professional and medical office buildings, commercial retail establishments and religious organizations in its market area. In addition and to a lesser degree, construction loans are originated to construct primarily single family residences. In the past, the Company has also purchased whole residential mortgage loans and participation interests in commercial real estate projects located principally in New Jersey.

During fiscal 1996, the Company began emphasizing the origination of single family residential loans and changed the mix of its origination to include more commercial real estate loans in the local marketplace. In addition, the Company continued to reduce its liquid assets by reinvesting the proceeds of maturing investments into mortgage-backed securities generally with maturities of five and seven years. This was designed to increase the Company's yield on its loan portfolio. During fiscal 1996, however, the Company experienced heavy repayments of higher yielding residential loans and mortgage-backed securities that were reinvested in lower yielding loan and mortgage-backed securities. As a result, the Company's net interest margin was pressured, decreasing to 3.44% for the year ended September 30, 1996 from 3.77% during fiscal 1995.

Financial highlights of the Company include:

- Profitability. Net income totalled $4.5 million, $9.9 million and $5.0 million for the fiscal years ended September 30, 1996, 1995, and 1994, respectively. As discussed herein, net income during fiscal 1996 was impacted by a one-time special assessment of $3.7 million ($2.4 million after tax) to recapitalize the SAIF. See Note 18 of the Notes to Consolidated Financial Statements incorporated by reference in Item 8 hereof. The Company manages its net interest margin and maintains relatively low non-interest expense levels and high asset quality.

- Asset Quality. Management of the Company believes that high asset quality is the key to long-term financial strength. Stringent loan underwriting and investment guidelines applied by the Association have resulted in a portfolio of high quality loans and investments. At September 30, 1996, single-family residential loans comprised 89.0% of the Association's total loan portfolio. As of such date, total non-performing loans and troubled debt restructurings constituted .45% of total loans and total nonperforming assets and troubled debt restructurings were .11% of total assets.

- Capital. The Company currently exceeds all minimum regulatory capital requirements of the Office of Thrift Supervision ("OTS"). At September 30, 1996, it had tangible, core, and risk-based capital ratios of 19.3%, 19.3% and 73.6%, respectively.

- Retail Deposit Base. The Company has ten offices located in Camden, Burlington and Gloucester Counties, New Jersey. It provides a full range of deposit products and other services to its customers through this branch network. At September 30, 1996, 26.8% of the Association's deposit base of $571.4 million consisted of core deposits, which include passbook, money market and NOW accounts.

The Company as a bank holding company and savings and loan holding

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company is subject to examination and regulation by the Board of Governors of the Federal Reserve System ("FRB"), the OTS and the New Jersey Department of Banking (the "Department"). The Association is also subject to examination and comprehensive regulation by the Department and by the OTS. The Association is also regulated by the FDIC, the administrator of the SAIF. The Association is subject to certain reserve requirements established by the FRB and is a member of the Federal Home Loan Bank ("FHLB") of New York, which is one of the 12 regional banks comprising the FHLB System.

LENDING ACTIVITIES

GENERAL. The Association's lending operations follow the traditional pattern of primarily emphasizing the origination of single-family residential loans for portfolio retention and to a lesser degree, the origination of commercial real estate loans (which was expanded in 1996), construction loans on residential properties and consumer loans, including home

equity or improvement loans. In past years, the Association has also purchased a relatively small amount of participation interests in commercial real estate loans.

The Association's primary market area consists primarily of Camden County and Burlington County and, to a significantly lesser extent, Gloucester County in southern New Jersey. Substantially all of the Association's residential mortgage loans are secured by properties located in New Jersey.

LOAN PORTFOLIO COMPOSITION. The following table sets forth the composition of the Association's loan portfolio by type of loan at the dates indicated.

<TABLE>
<CAPTION>

	September 30,									
	1996		1995		1994		1993		1992	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
					(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate loans:										
Single-family	$164,717	89.02%	$ 132,251	93.28%	$131,423	93.46%	$146,556	93.34%	$177,665	95.94%
Commercial	17,935	9.69	3,985	2.81	3,525	2.51	3,742	2.38	859	.46
Commercial participations	1,613	.87	4,563	3.22	4,916	3.50	6,286	4.00	5,830	3.15
Construction	1,256	.68	1,889	1.33	2,801	1.99	2,004	1.28	---	---
Consumer and other loans	3,285	1.78	2,741	1.93	2,073	1.47	2,276	1.44	3,142	1.70
Total loans	188,806	102.04	145,429	102.57	144,738	102.93	160,864	102.44	187,496	101.25
Less:										
Allowance for loan losses	(1,024)	(.55)	(994)	(0.70)	(530)	(0.38)	(1,669)	(1.06)	(1,238)	(0.67)
Loans in process	(1,179)	(.64)	(1,672)	(1.18)	(2,618)	(1.86)	(1,271)	(0.81)	(91)	(0.05)
Deferred loan fees	(1,572)	(.85)	(982)	(0.69)	(972)	(0.69)	(893)	(0.57)	(978)	(0.53)
Unearned interest	---	---	---	---	---	---	(1)	---	(1)	---
Loans receivable, net	$185,031	100.00%	$141,781	100.00%	$140,618	100.00%	$157,030	100.00%	$185,188	100.00%

</TABLE>

CONTRACTUAL MATURITIES. The following table sets forth the scheduled contractual maturities of the Association's loan portfolio at September 30, 1996. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdraft loans are reported as due in one year or less. The amounts shown for each period do not take into account loan prepayments and normal amortization of the Association's loan portfolio.

<TABLE>
<CAPTION>

Real Estate Loans

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	Single-family	Commercial(1)	Construction	Consumer and Other Loans	Total
			(In Thousands)		
Amounts due in:					
One year or less	$16,166	$ 554	$1,256	$2,501	$20,477
After one year through three years	4,476	1,644	0	363	6,483
After three years through four years	5,750	0	0	108	5,858
After four years through ten years	13,834	174	0	133	14,141
After ten years through twenty years	57,314	5,846	0	180	63,340
More than twenty years	67,177	11,330	0	0	78,507
Total(2)	$164,717	$19,548	$1,256	$3,285	$188,806
Interest rate terms on amounts due after one year:					
Fixed	$142,215	$18,994	$ 0	$3,285	$164,494
Adjustable	22,502	554	1,256	0	24,312
	$164,717	$19,548	$1,256	$3,285	$188,806

(1) Includes commercial participations.

(2) Does not include adjustments relating to loans in process, the allowance for loan losses, deferred loan fees and unearned interest.

Scheduled contractual repayment of loans does not reflect the expected term of the Association's loan portfolio. The expected average life of loans is substantially less than their contractual terms because of prepayments and due-on-sale clauses, which give the Association the right to declare a conventional loan immediately due and payable in the event, among other things, that the borrower sells the real property subject to the mortgage and the loan is not repaid. The average life of mortgage loans tends to increase when current mortgage loan rates are higher than rates on existing mortgage loans and, conversely, decrease when rates on existing mortgage loans are lower than current mortgage loan rates (due to refinancings of adjustable-rate and fixed-rate loans at lower rates). Under the latter circumstance, the weighted average yield on loans decreases as higher-yielding loans are repaid or refinanced at lower rates.

Loan Origination, Purchase and Sales Activity. In fiscal 1995, unlike the prior two fiscal years, gross loan balances increased substantially. There was a net increase of $43.4 million in balances as loan originations and purchases of $70.2 million exceeded loan repayments and other net deductions of $26.8 million. The $52.0 million increase in total loan originations and purchases in fiscal 1996 when compared to fiscal 1995 more than offset a $6.2 million increase in principal loan repayments and prepayments between such periods.

One of the Company's long range objectives is to increase loan production volumes. To accomplish this objective, the Association has hired a loan solicitor whose compensation is based on a commission for loan production. Recently, the Association hired another loan solicitor and has plans to hire a third loan solicitor in fiscal 1997. In addition, origination points charged to the loan customer were reduced during fiscal 1995 to be very competitive in the Association's lending area. The Association also adopted a more aggressive loan pricing posture and initiated a sales call program during fiscal 1995 that requires periodic and repetitive calls to area real estate brokers and builders.

During the latter part of fiscal 1995 loan production volume began to increase when compared to earlier in the fiscal year. During fiscal 1996 loan production volume increased significantly as the Company's initiatives began to have an impact. In addition, the Company changed the mix of its lending products to increase the amount of higher rate commercial real estate loans originated. These commercial real estate loans, many of which were secured by local medical and professional offices, represented 10.6% of total loan balances at September 30, 1996 compared to 6.0% at the end of the previous fiscal year. Funding for these commercial loan originations was obtained from new borrowings in the form of FHLB advances.

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The following table shows the loan origination, purchase and sale activity of the Association during the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,		
	1996	1995	1994
	(In Thousands)		
Gross loans at beginning of period	$145,429	$144,738	$160,864
Loan originations:			
Real estate:			
Single-family	48,836	15,506	23,570
Commercial	14,734	220	275
Construction	594	---	2,800
Total real estate loans originated	64,164	15,726	26,645
Consumer and other originations:	2,389	1,868	1,354
Total loans originated for investment	66,553	17,594	27,999
Purchase of whole loans and participations	3,643	582	125
Total originations and purchases of loans	70,196	18,176	28,124
Deduct:			
Principal loan repayments and prepayments	(22,575)	(16,390)	(41,373)
Transferred to real estate owned	(56)	---	(1,019)
Loans sold	(4,188)	---	(273)
Loans assigned to and funded by Association pension fund	---	(1,095)	(1,585)
Subtotal	(26,819)	(17,485)	(44,250)
Net increase (decrease) in loans	43,377	691	(16,126)
Gross loans at end of period	$188,806	$145,429	$144,738

</TABLE>

Applications for residential mortgage and consumer loans are taken at all of the Association's branch offices while applications for commercial real estate loans are made at the Association's main office. Residential mortgage loan applications are primarily developed from referrals from real estate brokers and builders, existing customers and walk-in customers. Commercial real estate loan applications are obtained primarily from previous borrowers as well as referrals.

The Association's lending policy provides that residential mortgages up to $275,000 may be approved with the signatures of three designated loan officers who have been approved by the Chief Executive Officer or the General Loan Committee. The General Loan Committee has been authorized by the Board to grant loans up to $1.0 million, with

loans in excess of this amount required to be presented to the full Board for review and approval. Notwithstanding the foregoing, it has been the practice of the Association's management to present all loans which are not single-family residential loans to the General Loan Committee and/or the Board of Directors for review and approval, and to have the Board of Directors review any loan application which would exceed $500,000. Under applicable regulations, the maximum amount of loans that the Association may make to any one borrower, including related entities, is limited to 15% of unimpaired capital and surplus, which amounted to $19.8 million at September 30, 1996. In addition, the Association limits lending on any one loan to

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$5.0 million unless approved specifically by Board action. As of September 30, 1996, the Association had eight loans outstanding with principal balances in excess of $1.0 million.

Historically, the Association has originated substantially all of the loans retained in its portfolio. Although the Association has not been a seller of loans in the secondary market, substantially all of the residential real estate loans originated by the Association have been under terms, conditions and documentation which permit their sale to the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC").

The Association has not been an active purchaser of loans. However, the Association has in the past purchased whole loans on residential properties located in New Jersey and may do so again if presented with what management believes is a satisfactory lending opportunity. The Association has also previously purchased loan participations secured by commercial real estate located primarily in New Jersey, although the Association has also purchased participations elsewhere. Such loans were presented to the Association from contacts primarily at other financial institutions, particularly those which have previously done business with the Association. At September 30, 1996, $1.6 million or .9% of the Association's total loans receivable consisted of participation interests in loans purchased from other financial institutions, all of which were paying in accordance with their loan terms. The Association will also consider the acquisition of an interest in a commercial real estate loan in its general market area if presented with what management believes is a satisfactory lending opportunity which is consistent with the Association's underwriting standards.

SINGLE-FAMILY RESIDENTIAL REAL ESTATE LOANS. Historically, savings institutions such as the Association have concentrated their lending activities on the origination of loans secured primarily by first mortgage liens on existing single-family residences. At September 30, 1996, $164.7 million or 89.0% of the Association's total loan portfolio consisted of single-family residential real estate loans, substantially all of which are conventional loans.

The Association historically has and continues to emphasize the origination of fixed-rate loans with terms of up to 15 years or 30 years. Although such loans are originated with the expectation that they will be maintained in portfolio, these loans are originated only under terms, conditions and documentation which permit their sale in the secondary market.

The Association also makes available single-family residential adjustable-rate mortgages ("ARMs") which provide for periodic adjustments to the interest rate, but such loans have never been as widely accepted in the Association's market area as the fixed-rate mortgage loan products. The ARMs currently emphasized by the Association have up to 30-year terms and an interest rate which adjusts every one or three years in accordance with a designated index. Such loans have a 2% cap on any increase or decrease in the interest rate per period, and there is currently a limit of 6% on the amount that the interest rate can change over the life of the loan. The Association has not offered below market or "teaser" rates and has not engaged in the practice of using a cap on the loan payments, which could allow the loan balance to increase rather than decrease, resulting in negative amortization.

At September 30, 1996, approximately $143.9 million or 87.4% of the single-family residential loans in the Association's loan portfolio consisted of loans which provide for fixed rates of interest. Although these loans generally provide for repayments of principal over a fixed period of 15 to 30 years, it is the Association's experience that because of prepayments and due-on-sale clauses, such loans generally remain outstanding for a substantially shorter period of time.

Property appraisals on the real estate and improvements securing the Association's single-family residential loans are made by independent appraisers approved by the Association's Board of Directors. Appraisals are performed in accordance with federal regulations and policies. The Association obtains title insurance policies on most first mortgage real estate loans originated by it. If title insurance is not obtained or is unavailable, the Association obtains an abstract of title and title opinion. Borrowers also must obtain hazard insurance prior to closing and, when required by the United States Department of Housing and Urban Development, flood insurance. Borrowers may be required to advance funds, with each monthly payment or principal and interest, to a loan escrow account from which the Association makes disbursements for items such as real estate taxes and mortgage insurance premiums as they become due.

The Association also purchases Federal Housing Administration ("FHA")

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insured, fixed-rate individual whole loans secured by first liens on single-family residential properties located in 'low and moderate income' defined census tracts in the Association's primary market area. In order to promote the program and to make it more affordable for eligible applicants, loans will be originated at a rate of 1/2 of 1% under the then applicable FNMA rate for FHA mortgages, which rate reduction is passed directly on to the borrower. Loans are underwritten and documented following standard FHA procedures, and are subject to approval by the Association in its sole discretion prior to purchase. At September 30, 1996, the Association had purchased 17 loans aggregating $705,000.

COMMERCIAL REAL ESTATE LOANS. The Association also originates mortgage loans for the acquisition and refinancing of commercial real estate properties. At September 30, 1996, $17.9 million or 9.7% of the Association's total loan portfolio consisted of loans secured by existing commercial real estate properties and an additional $1.6 million or .9% of the total

loan portfolio consisted of commercial real estate participation. During fiscal 1996, the Association originated nine loans aggregating $14.5 million, which are secured by commercial real estate located in New Jersey.

The majority of the Association's commercial real estate loans are secured by local medical and professional office facilities and other office buildings, small retail establishments and synagogues. These types of properties constitute the majority of the Association's commercial real estate loan portfolio. The Association's commercial real estate loan portfolio consists primarily of loans secured by properties located in its primary market area.

Although terms vary, commercial real estate loans generally are amortized over a period of 15-25 years. The Association's commercial real estate loans (and loan participations) have a weighted average maturity of 7.7 years at September 30, 1996. The Association will originate these loans either with fixed interest rates or with interest rates which adjust in accordance with a designated index, which generally is negotiated at the time of origination. As part of the criteria for underwriting commercial real estate loans, the Association generally imposes a debt coverage ratio (the ratio of net cash from operations before payment of debt service to debt service) of at least 125%. It is also the Association's general policy to obtain personal guarantees on its commercial real estate loans from the principals of the borrower and, when this cannot be obtained, to impose more stringent loan-to-value, debt service and other underwriting requirements. At September 30, 1996 the Association's commercial real estate loan portfolio consisted of 18 loans (including one commercial participation) with an average principal balance of $1,000,000.

CONSTRUCTION LOANS. The Association will also originate loans to construct primarily single-family residences, and, to a much lesser extent, loans to acquire and develop real estate for construction of residential properties. These construction lending activities generally are limited to the Association's primary market area. At September 30, 1996, the Association had one construction loan outstanding in the amount of $1.3 million or .7% of the Association's total loan portfolio, of which $1.2 had been disbursed. Construction loans generally have maturities of 6 to 12 months, with interest payments being made monthly. Thereafter, the Association will generally provide the permanent financing arrangements. The loans are made with floating rates of interest based upon the prime rate plus a margin. The Association also receives fees upon issuance of the commitment which range from 1% to 3% of the commitment. Loan proceeds are disbursed in stages after inspections of the project indicate that such disbursements are for costs already incurred and added to the value of the project.

Prior to making a commitment to fund a construction loan, the Association requires an appraisal of the property by independent appraisers approved by the Board of Directors. The Association uses qualified appraisers on all of its construction loans. Loan officers of the Association also review and inspect each project at the commencement of construction. In addition, the project is inspected by a loan officer of the Association prior to every

disbursement of funds during the term of the construction loan. Such inspection includes a review for compliance with the construction plan, including materials specifications.

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Construction lending is generally considered to involve a higher level of risk as compared to single-family residential lending, due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on real estate developers and managers. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. The nature of these loans is such that they are generally more difficult to evaluate and monitor. The Association has attempted to minimize the foregoing risks by, among other things, limiting the extent of its construction lending generally and by limiting its construction lending to residential properties. In addition, the Association has adopted underwriting guidelines which impose stringent loan-to-value, debt service and other requirements for loans which are believed to involve higher elements of credit risk, by limiting the geographic area in which the Association will do business and by working with builders with whom it has established relationships or which have quality reputations.

ASSET QUALITY

When a borrower fails to make a required payment on a loan, the Association attempts to cure the deficiency by contacting the borrower and seeking the payment. Late notices are sent and/or personal contacts are made. In most cases, deficiencies are cured promptly. While the Association generally prefers to work with borrowers to resolve such problems, when a mortgage loan becomes 90 days delinquent, the Association institutes foreclosure or other proceedings, as necessary, to minimize any potential loss.

Loans are placed on non-accrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. When a loan is placed on non-accrual status, previously accrued but unpaid interest is deducted from interest income. The Association does not accrue interest on loans past due 90 days or more.

Real estate acquired by the Association as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until it is sold. When a property is acquired, it is recorded at the lower of cost or fair value. Fair value is generally determined through the use of independent appraisals. Any write-downs resulting at acquisition are charged to the allowance for loan losses. All costs incurred in maintaining the Association's interest in the property are capitalized between the date the loan becomes delinquent and the date of acquisition. After the date of acquisition, all costs incurred in maintaining the property are expenses and costs incurred for the improvement or development of such property are capitalized. As of September 30, 1996, the Association had no real estate owned.

Under generally accepted accounting principles, the Association is required to account for certain loan modifications or restructurings as "troubled debt restructurings." In general, the modification or restructuring of a debt constitutes a troubled debt restructuring if the Association for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that the Association would not otherwise consider. Debt restructurings or loan modifications for a borrower do not necessarily always constitute troubled debt restructurings, however, and troubled debt restructurings do not necessarily result in non-accrual loans. During the fiscal year ended September 30, 1994, the Association participated in the restructuring of a commercial real estate loan participation, which was accounted for as a troubled debt restructuring. The property securing the loan was 99% leased as of September 30, 1995 and the loan had been performing on a timely basis since December 1993. Accordingly, the loan was treated as a performing loan at September 30, 1996. At September 30, 1995, During fiscal 1996, this loan was sold which generated a gain of $16,000. At September 30, 1996, the Association had no troubled debt restructurings.

NON-PERFORMING ASSETS AND TROUBLED DEBT RESTRUCTURINGS. The following table sets forth the amounts and categories of the Association's non-performing assets and troubled debt restructurings at the dates indicated.

<TABLE>
<CAPTION>

	September 30,				
	1996	1995	1994	1993	1992
	(Dollars in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Non-accruing loans:					

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Single-family residential(1)	$827	$663	$1,005	$ 895	$1,040
Commercial participations	---	---	---	4,583	5,882
Total nonperforming loans	827	663	1,005	5,478	6,922
Real estate owned	---	---	819	---	1,573
Total nonperforming assets	$827	$663	$1,824	$5,478	$8,495
Troubled debt restructurings	$---	$ ---	$3,261	$ ---	$ ---
Total nonperforming loans and troubled debt restructurings as a percentage of total loans	0.45%	0.47%	3.62%	3.49%	4.59%
Total nonperforming assets and troubled debt restructurings as a percentage of total assets	0.11%	0.09%	0.77%	0.82%	1.30%

</TABLE>

(FOOTNOTES ON THE FOLLOWING PAGE)

____

(1) Consists of an aggregate of 11, 15, 16, 16 and 21 loans at September 30, 1996, 1995, 1994, 1993 and 1992 respectively.

The Association's total non-performing assets and troubled debt restructurings have declined from a high of $8.5 million or 1.30% of total assets at September 30, 1992 to $800,000 million or .11% of total assets at September 30, 1996. During the year ended September 1994, total non-performing assets declined by $3.7 million or 66.7%, as the Association participated in the troubled debt restructuring of a commercial real estate participation and took an additional non-performing commercial real estate loan participation into REO after charging $1.3 million of its carrying value against the allowance for loan losses. During the year ended September 30, 1995, total non-performing assets declined by $1.2 million or 63.7% as the Association sold the real estate owned and reduced single-family non-accruing loans. During the year ended September 30, 1996, total non-performing assets increased by $164,000 or 24.7% reflecting an increase in the amount of non-accruing single-family loans.

At September 30, 1996 and 1995, approximately $69,000 and $60,000 in gross interest income, respectively, would have been recorded in the period then ended on loans accounted for on a non-accrual and restructured basis if such loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination if held for part of the period. For the years ended September 30, 1996 and 1995, $45,000 and $46,000, respectively, were included in net income for these same loans prior to the time they were placed on non-accrual status. The Association had no accruing loans greater than 90 days delinquent.

ALLOWANCE FOR LOAN LOSSES. An allowance for loan losses is maintained at a level that management considers adequate to provide for potential losses based upon an evaluation of known and inherent risks in the loan portfolio. Allowances for loan losses are based on estimated net realizable value. Management's periodic evaluation is based upon examination of the portfolio, past loss experience, current economic conditions, the results of the most recent regulatory examinations, and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluations.

The following table summarizes changes in the allowance for loan losses and other selected statistics for the periods presented.

<TABLE>
<CAPTION>

	Year Ended September 30,				
	1996	1995	1994	1993	1992

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	(Dollars in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Average loans, net	$159,628	$138,619	$147,691	$177,364	$197,103
Allowance for loan losses, beginning of year	$ 994	$ 530	$ 1,669	$ 1,238	$ 1,495
Charged-off loans(1)	---	---	(1,319)	---	(1,334)
Recoveries on loans previously charged off	---	434	---	---	---
Provision for loan losses	30	30	180	431	1,077
Allowance for loan losses, end of period	$ 1,024	$ 994	$ 530	$ 1,669	$ 1,238
Net loans charged-off to average loans, net	---%	---%	0.89%	---%	0.68%
Allowance for loan losses to total loans	0.55%	0.70%	0.38%	1.06%	0.67%
Allowance for loan losses to nonperforming loans	123.8%	149.91%	52.71%	30.51%	17.9%
Allowance for loan losses to nonperforming loans and troubled debt restructurings	123.8%	149.91%	12.41%	30.51%	17.9%

</TABLE>

____

(1) Comprised entirely of commercial participations.

During the year ended September 30, 1994, the Association took a non-performing commercial participation into REO after charging off $1.3 million of its carrying value against the allowance for loan losses. In addition, during the period, the Association participated in the troubled debt restructuring of a commercial real estate participation. Primarily as a result of such actions, during the year ended September 30, 1994, total non-performing assets declined by $3.7 million or 66.7%, to $1.8 million. Due to the relatively low level of non-performing assets in the Association's portfolio in fiscal 1995 and 1996, the ratio of such allowance to total non-performing loans increased during such period, from 30.5% at September 30, 1993 to 149.9% at September 30, 1995 and 123.8% at September 30, 1996. The Association believes that its allowance is adequate based upon its actual loss experience, which has historically been low due to its conservative underwriting and primary reliance on single family residential loans.

The following table presents the allocation of the allowance for loan losses to the total amount of loans in each category listed at the dated indicated.

<TABLE>
<CAPTION>

	September 30,									
	1996		1995		1994		1993		1992	
	Amount	% of Loans in Each Category to Total Loans	Amount	% of Loans in Each Category to Total Loans	Amount	% of Loans in Each Category to Total Loans	Amount	% of Loans in Each Category to Total Loans	Amount	% of Loans in Each Category to Total Loans
	(Dollars in Thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate:										
Single-family	$ 724	89.02%	$699	93.28%	$236	93.46%	$ 246	93.33%	$ 299	95.94%
Commercial participations	16	0.87	252	3.22	250	3.50	1,358	4.00	908	3.15
Commercial	274	9.69	40	2.81	41	2.51	7	2.38	30	0.46
Construction	1	0.12	2	0.28	2	0.30	57	0.29	---	---

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Consumer and other	9	0.30	1	0.41	1	0.23	1	---	1	0.45
Total	$1,024	100.00%	$994	100.00%	$530	100.00%	$1,669	100.00%	$1,238	100.00%

</TABLE>

INVESTMENT ACTIVITIES

GENERAL. The Association's investment activities are managed by the Chief Executive Officer with the assistance of other senior officers designated by the Board of Directors. These activities are conducted in accordance with a written investment policy which is reviewed and approved by the Board of Directors at least annually. The Association's Asset Liability Management Committee ("ALCO") has been designated to work with management and the Board to implement and achieve the investment plan goals and to report at least quarterly to the Board in conjunction with its review of the Association's overall GAP and interest rate risk position. As reflected in its investment policy, the Association's investment objective is to maintain a balance of high quality and diversified investments with a minimum of credit risk. Accordingly, the Association seeks a competitive return from its investments, but the rate of return is only one consideration which is weighed against the Association's other goals and objectives of liquidity and operating in a manner deemed by the Board to reflect safety and soundness.

The Association has authority to invest in various types of assets. The Association's investment officers are authorized by the Board to: purchase or sell U.S. Government securities and securities issued by agencies thereof; purchase, sell or trade any securities qualifying as eligible liquidity; purchase or sell bonds, securities and money market investments under repurchase or reverse repurchase agreements; purchase mortgage-related and asset-backed securities; purchase whole loans and participations in the secondary mortgage market; invest in financial institution certificates of deposit, Federal and term funds, bankers' acceptances and other authorized investments; invest in various corporate securities and bonds that have at least an "AA" rating by two nationally recognized debt rating services; and invest in various mutual funds and certain equity issues as authorized by the Board. The Board does not permit investments in highly speculative securities.

The Association's investments and mortgage-backed securities are classified as either "held to maturity" or "available for sale." The investments and mortgage-backed securities classified as held to maturity are based upon the Association's intent and ability to hold such investments to maturity at the time of investment in accordance with generally accepted accounting principles. These investment securities and mortgage-backed securities are carried at amortized cost, with any discount or premium amortized to maturity. The investments and mortgage-backed securities classified as available for sale are based upon the Association's intent that such securities will be held for an indefinite period of time and may be sold in response to market changes. These assets are carried at their estimated fair value, which management has determined to be market value. The Company sold securities in fiscal 1996 and recognized a gain on sale of $70,000.

In accordance with a FASB pronouncement issued in 1995, the Association transferred certain securities with an aggregate amortized cost of $199,401 from the classification of held to maturity to available for sale in December 1995. See Notes 2, 4 and 5 of the Notes to Consolidated Financial Statements in Item 8 hereof incorporated herein by reference.

INVESTMENT SECURITIES. The following table sets forth certain information relating to the Association's investment securities held to maturity portfolio at the dates indicated.

<TABLE>
<CAPTION>

	September 30,					
	1996		1995		1994	
	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value
	(In Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury						

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securities	$ ---	$ ---	$ 49,977	$ 50,252	$ 80,944	$ 80,245
Obligations of U.S. government corporations and agencies	26,366	26,378	114,994	115,275	133,497	132,817
Term deposits in FHLB	346	346	76,374	76,374	75,054	75,054
Total	$26,712	$26,724	$241,345	$241,901	$289,495	$288,116

</TABLE>

The following table sets forth certain information relating to the Association's investment securities available for sale portfolio at the date indicated.

<TABLE>
<CAPTION>

	September 30, 1996	
	Carrying Value	Market Value
	(In Thousands)	
<S>	<C>	<C>
U.S. government obligations	$48,337	$48,337

</TABLE>

At September 30, 1996, all of the Association's investment securities both held to maturity and available for sale were due in one year or less. The weighted average yield on a fully tax equivalent basis for the held to maturity portfolio and the available for sale portfolio at September 30, 1996 was 5.48% and 6.43%, respectively.

The decrease in investment securities at September 30, 1996 when compared to September 30, 1995 reflects the Association's plan to reduce its liquid assets. At September 30, 1996, the Association did not have investments in the debt and/or equity securities of any issuer other than the U.S. Government and U.S. Government agencies and corporations.

MORTGAGE-BACKED SECURITIES PORTFOLIO. The Association maintains a portfolio of mortgage-backed securities as a means of investing in housing-related mortgage instruments without the costs associated with originating mortgage loans for portfolio retention and with limited credit risk of default which arises in holding a portfolio of loans to maturity. Mortgage-related securities (which also are known as mortgage participation certificates or pass-through certificates) represent a participation interest in a pool of single-family or multi-family mortgages, the principal and interest payments on which are passed from the

mortgage originators, through intermediaries (generally U.S. Government agencies and government sponsored enterprises) that pool and repackage the participation interests in the form of securities, to investors such as the Association. Such U.S. Government agencies and government sponsored enterprises, which guarantee the payment of principal and interest to investors, primarily include the FHLMC, the FNMA and the GNMA.

The FHLMC is a public corporation chartered by the U.S. Government and owned by the 12 Federal Home Loan Banks and federally-insured savings institutions. The FHLMC issues participation certificates backed principally by conventional mortgage loans. The FHLMC guarantees the timely payment of interest and the ultimate return of principal. The FNMA is a private corporation chartered by the U.S. Congress with a mandate to establish a secondary market for conventional mortgage loans. The FNMA guarantees the timely payment of principal and interest on FNMA securities. FHLMC and FNMA securities are not backed by the full faith and credit of the United States, but because the FHLMC and FNMA are U.S. Government-sponsored enterprises, these securities are considered to be among the highest quality investments

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with minimal credit risks. The GNMA is a government agency within the Department of Housing and Urban Development which is intended to help finance government-assisted housing programs. GNMA securities are backed by FHA-insured and VA-guaranteed loans, and the timely payment of principal and interest on GNMA securities are guaranteed by the GNMA and backed by the full faith and credit of the U.S. Government. Because the FHLMC, the FNMA and the GNMA were established to provide support for low- and middle-income housing, there are limits to the maximum size of loans that qualify for these programs. For example, the FNMA and the FHLMC currently limit their loans secured by a single-family, owner-occupied residence to $203,150. To accommodate larger-sized loans, and loans that, for other reasons, do not conform to the agency programs, a number of private institutions have established their own home-loan origination and securitization programs.

Mortgage-backed securities typically are issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a range and have varying maturities. The underlying pool of mortgages, i.e., fixed rate or adjustable rate, as well as prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security thus approximates the life of the underlying mortgages.

Mortgage-backed securities generally yield less than the loans which underlie such securities because of their payment guarantees or credit enhancements which offer nominal credit risk. In addition, mortgage-backed securities are more liquid than individual mortgage loans. Mortgage-backed securities issued or guaranteed by FNMA or FHLMC (except interest-only securities or the residual interests in collateralized mortgage obligations) are weighted at no more than 20.0% for risk-based capital purposes, compared to a weight of 50.0% to 100.0% for residential loans. See "Regulation - The Association - Capital Requirements."

The following table sets forth the composition of the Association's mortgage-backed securities portfolio which includes both securities available for sale and held at maturity at the dates indicated.

<TABLE>
<CAPTION>

	September 30,				
	1996	1995	1994	1993	1992
	(In Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
FNMA	$ 41,468	$ 17,280	$ ---	$ ---	$ ---
GNMA	131,632	142,054	105,482	128,427	207,819
FHLMC	278,435	151,549	76,344	4,724	7,071
Private	726	870	1,065	1,526	2,151
Total mortgage-backed securities(1)	$452,261	$311,753	$182,891	$134,677	$217,041

</TABLE>

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(1) Includes FNMA, GNMA and FHLMC securities held for sale at September 30, 1996 of $12,386, $15,729 and $138,879, respectively, or an aggregate of $166,994.

The following table sets forth the purchases and principal repayments of the Association's mortgage-backed securities for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,		
	1996	1995	1994
	(In Thousands)		
<S>	<C>	<C>	<C>
Beginning balance	$311,753	$182,891	$134,677
Mortgage-backed securities purchased	217,687	164,236	105,853
Principal repayments	(78,778)	(35,710)	(57,948)
Unrealized gain, net of tax	1,509	---	---
Deferred discounts, net	90	336	309

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Net change	140,508	128,862	48,214
Ending balance	$452,261	$311,753	$182,891

</TABLE>

At September 30, 1996, the weighted average contractual maturity of all of the Association's mortgage-backed securities was in excess of 10.5 years and the weighted average yield on the mortgage-backed securities portfolio was 7.07%. The actual maturity of a mortgage-backed security is less than its stated maturity due to prepayments of the underlying mortgages. Prepayments that are faster than anticipated may shorten the life of the security and adversely affect its yield to maturity. The yield is based upon the interest income and the amortization of any premium or discount related to the mortgage-backed security. Although prepayments of underlying mortgages depend on many factors, including the type of mortgages, the coupon rate, the age of mortgages, the geographical location of the underlying real estate collateralizing the mortgages and general levels of market interest rates, the difference between the interest rates on the underlying mortgages and the

prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of falling mortgage interest rates, if the coupon rate of the underlying mortgages exceeds the prevailing market interest rates offered for mortgage loans, refinancing generally increases and accelerates the prepayment of the underlying mortgages and the related security. Under such circumstances, the Association may be subject to reinvestment risk because to the extent that the Association's mortgage-backed securities amortize or prepay faster than anticipated, the Association may not be able to reinvest the proceeds of such repayments and prepayments at a comparable rate. The declining yields earned during recent periods is a direct response to falling interest rates and accelerated prepayments. At September 30, 1996, of the $452.3 million of mortgage-backed securities, an aggregate of $391.5 million were secured by fixed-rate mortgage loans and an aggregate of $60.8 million were secured by adjustable-rate mortgage loans.

In February 1992, the OTS adopted a policy statement which states, among other things, that mortgage derivative products (including CMOs and CMO residuals and stripped mortgage-backed securities) which possess average life or price volatility in excess of a benchmark fixed-rate 30-year mortgage-backed pass-through security are "high-risk mortgage securities," are not suitable investments for depository institutions, must be carried in the institution's trading account or as assets held for sale, and must be marked to market on a regular basis. The Association has no "high risk" mortgage securities at September 30, 1996 and has no present intention to alter materially its investment policies and practices.

SOURCES OF FUNDS

GENERAL. The Association's principal source of funds for use in lending and for other general business purposes has traditionally come from deposits obtained through the Association's branch offices. The Association also derives funds from amortization and prepayments of outstanding loans and mortgage-backed securities and from maturing investment securities. The Association also borrows from the FHLB of New York. The Association had $18.8 million of FHLB borrowings outstanding at September 30, 1996. Loan repayments are a relatively stable source of funds, while deposits inflows and outflows are significantly influenced by general interest rates and money market conditions. In the event of the need for an additional source of funds, the Board of Directors of the Company has authorized management to borrow up to $10.0 million from the Federal Reserve Bank of Philadelphia without the need for further Board approval. In addition, during the year ended September 30, 1996, the Company's Board of Directors also provided management with the authority to borrow up to $50 million from the Federal Home Loan Bank of New York.

DEPOSITS. The Association's current deposit products include passbook accounts, negotiable order of withdrawal (NOW) accounts, money market deposit accounts and certificates of deposit ranging in terms from seven days to seven years. The Association's deposit products also include Individual Retirement Account ("IRA") and Keogh certificates and passbook accounts.

The Association's deposits are obtained primarily from residents in its primary market area of Camden, Burlington and Gloucester Counties in Southern New Jersey. The Association to a lesser extent obtains deposits from other

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locations in the greater Philadelphia metropolitan area. The Association attracts deposit accounts by offering a wide variety of accounts, competitive interest rates, and convenient branch office locations and service hours. The Association primarily utilizes print media to attract new customers and savings deposits. The Association has never utilized the services of deposit brokers and had no brokered deposits at September 30, 1996. During fiscal 1995, the Association acquired three automated teller machines, two of which are located at branch offices in Camden County and one at a Burlington County branch office. The Association is affiliating with the MAC-Registered Trademark- ATM System. In October 1996, the Association increased its branch network from 8 offices to 10 offices. These new offices, which are full service branches equipped with automated teller machines, are located in Gloucester Township and Voorhees Township, Camden County, New Jersey. In addition, the Association acquired another automated teller machine for use at another Burlington County branch. Of the Associations 10 offices, 6 are currently equipped with automated teller machines.

The Association has been competitive in the types of accounts and in interest rates it has offered on its deposit products but does not necessarily seek to match the highest rates paid by competing institutions. With the significant decline in interest rates paid on deposit products, the Association in recent years has experienced disintermediation of deposits into competing investment products. However, the disintermediation experienced has been consistent with the Association's strategy of controlling growth.

The following table shows the distribution of, and certain other information relating to, the Association's deposits by type of deposit as of the dates indicated.

<TABLE>
<CAPTION>

	SEPTEMBER 30,					
	1996		1995		1994	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Passbook and club accounts	$ 59,323	10.4%	$ 62,950	11.1%	$ 80,494	13.3%
Money market	70,023	12.2	74,933	13.3	99,735	16.5
Certificate of deposit	417,773	73.1	403,736	71.4	396,194	65.7
NOW accounts	23,886	4.2	22,909	4.1	26,274	4.4
Accrued interest	361	.1	382	.1	383	0.1
Total deposits at end of period	$571,366	100.00%	$564,910	100.0%	$603,080	100.0%

</TABLE>

The following table presents, by various interest rate categories, the amount of certificates of deposit at September 30, 1996 and 1995, and the amounts at September 30, 1996 which mature during the periods indicated.

<TABLE>
<CAPTION>

	SEPTEMBER 30,		AMOUNTS AT SEPTEMBER 30, 1996 MATURING WITHIN			
CERTIFICATES OF DEPOSIT	1996	1995	ONE YEAR	TWO YEARS	THREE YEARS	THEREAFTER
<S>	<C>	<C>	<C>	<C>	<C>	<C>
			(DOLLARS IN THOUSANDS)			
2.00% to 4.00%	$ 8,522	$ 29,325	$ 1,494	$ 316	$ 1,725	$ 4,987
4.01% to 6.00%	337,123	282,158	216,942	67,269	38,496	14,416
6.01% to 8.00%	70,155	83,958	24,063	24,384	10,546	11,162
8.01% to 10.0%	1,973	8,295	305	561	1,072	35
10.01% or more	0	---	0	0	0	0
Total certificate accounts	$417,773	$403,736	$242,804	$92,530	$51,839	$30,600

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</TABLE>

The following table presents the average balance of each deposit type and the average rate paid on each deposit type for the periods indicated.

	SEPTEMBER 30,					
	1996		1995		1994	
	AVERAGE BALANCE	AVERAGE RATE PAID	AVERAGE BALANCE	AVERAGE RATE PAID	AVERAGE BALANCE	AVERAGE RATE PAID
	(DOLLARS IN THOUSANDS)					
Passbook and club accounts	$60,561	10.57%	$ 67,810	2.94%	$76,585	2.75%
Money market	72,798	12.71	83,482	3.09	103,982	2.83
Certificates of deposit	415,447	72.53	394,704	5.06	404,002	4.97
NOW accounts	24,020	4.19	23,742	2.07	25,178	2.08
Total deposits	$572,826	100.00%	$569,738	4.39%	$609,747	4.20%

</TABLE>

The following table sets forth the Association's net savings flows during the periods indicated.

	YEAR ENDED SEPTEMBER 30,		
	1996	1995	1994
	(IN THOUSANDS)		
Beginning balance	$564,910	$603,080	$609,805
Decrease before interest credited	(16,562)	(59,836)	(29,105)
Interest credited	23,018	21,666	22,380
Net savings increase (decrease)	6,456	(38,170)	(6,725)
Ending balance	$571,366	$564,910	$603,080

The following table sets forth maturities of the Association's certificates of deposit of $100,000 or more at September 30, 1996 by time remaining to maturity.

	AMOUNTS IN THOUSANDS
Three months or less	$ 8,051
Over three months through six months	8,717
Over six months through 12 months	7,399
Over 12 months	20,471
Total	$44,638

SUBSIDIARIES

At September 30, 1996, the Company had two wholly-owned subsidiaries, the Association and IBSF Investment Corp., a New Jersey-chartered investment company formed in 1996, which had total assets of $12.2 million comprised principally of investments in certificates of deposit and overnight funds at the Federal Home Loan Bank of New York.

At September 30, 1996, the Association did not have any subsidiaries. In

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December 1996, the Association received the non-objection of the OTS to establish a Delaware operating subsidiary, IBS Delaware Investment Corp. ("IBSD"), solely to manage certain of the investments of the Association. The Association is in the process of forming IBSD.

COMPETITION

The Association faces significant competition for real estate loans, principally from mortgage banking companies, other savings institutions, commercial banks and credit unions. Factors which affect competition generally include the general and local economic conditions, current interest rate levels and volatility in the mortgage markets. The Association also faces significant competition in attracting deposits. Its most direct competition for deposits has historically come from commercial banks and other savings institutions located in its market area. The Association faces additional significant competition for investors' funds from other non-depository institutions, including mutual funds and brokerage firms. The Association competes for deposits principally by offering depositors a variety of deposit programs, convenient branch locations, hours and other services. The Association does not rely upon any individual group or entity for a material portion of its deposits.

Federal legislation in recent years has eliminated many of the distinctions between commercial banks and savings institutions and holding companies and allowed bank holding companies to acquire savings institutions. Such legislation has generally resulted in an increase in the competition encountered by savings institutions and has resulted in a decrease in both the number of savings institutions and the aggregate size of the savings industry.

REGULATION

THE COMPANY. The Company is a registered savings and loan holding company and is subject to OTS regulations, examinations, supervision and reporting requirements. As a subsidiary of a savings and loan holding company, the Association is subject to certain restrictions in its dealings with the Company and affiliates thereof. The Company is also subject to regulation by the Department pursuant to the New Jersey Savings and Loan Act (the "Act").

The Company is also a bank holding company regulated by the Board of Governors of the Federal Reserve system. The Company was required to become a bank holding company by virtue of the Association having failed to comply with the QTL test as of July 1993 and being unable to re-qualify as a "qualified thrift lender" as of July 1994. As a bank holding company, the Company is subject to regulation and supervision by the Federal Reserve Board, is required to file periodic reports and annually a report of its operations with, and is subject to examination by, the Federal Reserve Board. The Association re-qualified as a qualified thrift lender in August 1995. See "- BHCA Activities and Other Limitations" and "-The Association-Qualified Thrift Lender Test."

FEDERAL ACTIVITIES RESTRICTIONS. There are generally no restrictions on the activities of a savings and loan holding company which holds only one subsidiary savings association. However, if the Director of the OTS determines that there is reasonable cause to believe that the continuation by a savings and loan holding company of an activity constitutes a serious risk to the financial safety, soundness or stability of its subsidiary savings association, the Director may impose such restrictions as deemed necessary to address such risk, including limiting (i) payment of dividends by the savings association; (ii) transactions between the savings association and its affiliates; and (iii) any activities of the savings association that might create a serious risk that the liabilities of the holding company and its affiliates may be imposed on the savings association. As was the case with the Association, notwithstanding the above rules as to permissible business activities of unitary savings and loan holding companies, under OTS regulations, any savings and loan holding company is required to register as a bank holding company within one year of the failure of the QTL Test by its subsidiary insured institution. Under such circumstances, the holding company becomes subject to all of the provisions of the BHCA and other statutes applicable to bank holding companies, in the same manner and to the same extent as if the company were a bank holding company. See "- BHCA Activities and Other Limitations."

If the Company were to acquire control of another savings association, other than through merger or other business combination with the Association, the Company would thereupon become a multiple savings and loan holding company. Except where such acquisition is pursuant to the authority to approve emergency thrift acquisitions and where each subsidiary savings

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association meets the QTL Test, as set forth below, the activities of the Company and any of its subsidiaries (other than the Association or other subsidiary savings associations) would thereafter be subject to further restrictions. Among other things, no multiple savings and loan holding company or subsidiary thereof which is not a savings association shall commence or continue for a limited period of time after becoming a multiple savings and loan holding company or subsidiary thereof any business activity, other than: (i) furnishing or performing management services for a subsidiary savings association; (ii) conducting an insurance agency or escrow business; (iii) holding, managing, or liquidating assets owned by or acquired from a subsidiary savings association; (iv) holding or managing properties used or occupied by a subsidiary savings association; (v) acting as trustee under deeds of trust; (vi) those activities authorized by regulation as of March 5, 1987 to be engaged in by multiple savings and loan holding companies; or (vii) unless the

Director of the OTS by regulation prohibits or limits such activities for savings and loan holding companies, those activities authorized by the Federal Reserve Board as permissible for bank holding companies. The activities described in (i) through (vi) above may only be engaged in after giving the OTS prior notice and being informed that the OTS does not object to such activities. In addition, the activities described in (vii) above also must be approved by the Director of the OTS prior to being engaged in by a multiple savings and loan holding company.

LIMITATIONS ON TRANSACTIONS WITH AFFILIATES. Transactions between savings associations and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a savings association is any company or entity which controls, is controlled by or is under common control with the savings association. In a holding company context, the parent holding company of a savings association (such as the Company) and any companies which are controlled by such parent holding company are affiliates of the savings association. Generally, Sections 23A and 23B (i) limit the extent to which the savings association or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such association's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the association or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar transactions. In addition to the restrictions imposed by Sections 23A and 23B, no savings association may (i) loan or otherwise extend credit to an affiliate, except for any affiliate which engages only in activities which are permissible for bank holding companies, or (ii) purchase or invest in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings association.

In addition, Sections 22(h) and (g) of the Federal Reserve Act places restrictions on loans to executive officers, directors and principal stockholders. Under Section 22(h), loans to a director, an executive officer and to a greater than 10% stockholder of a savings institution (a "principal stockholder"), and certain affiliated interests of either, may not exceed, together with all other outstanding loans to such person and affiliated interests, the savings institution's loans to one borrower limit (generally equal to 15% of the institution's unimpaired capital and surplus). Section 22(h) also requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as offered in comparable transactions to other persons and also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a savings institution to all insiders cannot exceed the institution's unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers. At September 30, 1996, the Association was in compliance with the above restrictions.

RESTRICTIONS ON ACQUISITIONS. Except under limited circumstances, savings and loan holding companies are prohibited from acquiring, without prior approval of the Director of

the OTS, (i) control of any other savings association or savings and loan holding company or substantially all the assets thereof or (ii) more than 5% of the voting shares of a savings association or holding company thereof which is not a subsidiary. Except with the prior approval of the Director of the OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy

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or otherwise more than 25% of such company's stock, may acquire control of any savings association, other than a subsidiary savings association, or of any other savings and loan holding company.

The Director of the OTS may only approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings associations in more than one state if (i) the multiple savings and loan holding company involved controls a savings association which operated a home or branch office located in the state of the association to be acquired as of March 5, 1987; (ii) the acquiror is authorized to acquire control of the savings association pursuant to the emergency acquisition provisions of the Federal Deposit Insurance Act, or (iii) the statutes of the state in which the association to be acquired is located specifically permit institutions to be acquired by the state-chartered associations or savings and loan holding companies located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings associations).

Under the BHCA, the FRB is authorized to approve an application by a bank holding company to acquire control of a savings association. In addition, a bank holding company that controls a savings association may merge or consolidate the assets and liabilities of the savings association with, or transfer assets and liabilities to, any subsidiary bank which is a member of the Association Insurance Fund ("BIF") with the approval of the appropriate federal banking agency and the Federal Reserve Board. As a result of these provisions, there have been a number of acquisitions of savings associations by bank holding companies in recent years.

Under New Jersey law, if the Company wishes to acquire another savings institution, savings institution holding company, or substantially all the assets of a savings institution, it must file an application under the Banking Act and have it approved by the Commissioner. Legislation enacted in New Jersey permits insured institutions or savings and loan holding companies located in New Jersey to acquire or be acquired by insured institutions or holding companies on either a regional or national basis upon the occurrence of certain triggering conditions which are determined by the Commissioner. The acquiror must be located in a state which has reciprocal legislation in effect on substantially the same terms and conditions as stated in the New Jersey legislation. This law explicitly prohibits interstate branching.

BHCA ACTIVITIES AND OTHER LIMITATIONS. The BHCA prohibits a bank holding company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, or increasing such ownership or control of any bank, without prior approval of the Federal Reserve Board. The BHCA also generally prohibits a bank holding company

from acquiring any
bank located outside of the state in which the existing bank subsidiaries of the bank holding company are located unless specifically authorized by applicable state law. No approval under the BHCA is required, however, for a bank holding company already owning or controlling 50% of the voting shares of a bank to acquire additional shares of such bank.

The BHCA also prohibits a bank holding company, with certain exceptions, from acquiring more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than banking or managing or controlling banks. Under the BHCA, the Federal Reserve Board is authorized to approve the ownership of shares by a bank holding company in any company, the activities of which the Federal Reserve Board has determined to be so closely related to banking or to managing or controlling banks as to be a proper incident thereto. In making such determinations, the Federal Reserve Board is required to weigh the expected benefit to the public, such as greater convenience, increased competition or gains in efficiency, against the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

The Federal Reserve Board has by regulation determined that certain activities are closely related to banking within the meaning of the BHCA. These activities include operating a mortgage company, finance company, credit card company, factoring company, trust company or savings association; performing certain data processing operations; providing limited securities brokerage services; acting as an investment or financial advisor; acting as an insurance agent for certain types of credit-related insurance; leasing personal property on a full-payout, non-operating basis; providing tax planning and preparation services; operating a collection agency; and providing certain courier services. The Federal Reserve Board also has determined that certain other activities, including real estate brokerage and syndication, land development, property management and underwriting of life insurance not related to credit transactions, are not closely related to banking and a proper incident thereto.

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THE ASSOCIATION. The OTS and the Department have extensive regulatory authority over the operations of savings associations. As part of this authority, savings associations are required to file periodic reports with the OTS and the Department and are subject to periodic examinations by the OTS and the Department. The investment and lending authority of savings associations are prescribed by federal and New Jersey laws and regulations and they are prohibited from engaging in any activities not permitted by such laws and regulations. Such regulation and supervision is primarily intended for the protection of depositors.

For a discussion of the limitations on the aggregate amount of loans that a savings association can make to any one borrower, including related entities, see "Business of the Association - Lending Activities - Loan Origination, Purchase and Sales Activity."

The OTS' enforcement authority over all savings associations and their holding companies includes, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OTS.

INSURANCE OF ACCOUNTS. The deposits of the Association are insured up to $100,000 per insured member (as defined by law and regulation) by the SAIF administered by the FDIC and are backed by the full faith and credit of the United States Government. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the OTS an opportunity to take such action.

The FDIC may terminate the deposit insurance of any insured depository institution, including the Association, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the FDIC. Management is aware of no existing circumstances which could result in termination of the Association's deposit insurance.

The FDIC is authorized to establish separate assessment rates for deposit insurance for members of the BIF and the SAIF. The FDIC may increase assessment rates for either fund to restore the fund's ratio of reserves to insured deposits to its statutorily set target level within a reasonable time, and may decrease such assessment rates if such target level has been met. Until the SAIF fund meets its target level, savings associations may not transfer to the BIF fund. Furthermore, any such transfers, when permitted, would be subject to exit and entrance fees. Under current FDIC regulations, institutions are assigned to one of three capital groups which are based solely on the level of an institution's capital- "well capitalized," "adequately capitalized," and "undercapitalized" - which are defined in the same manner as the regulations establishing the prompt corrective action system under Section 38 of the Federal Deposit Insurance Act ("FDIA") as discussed below. These three groups are then divided into three subgroups which reflect varying levels of supervisory concern, from those which are considered to be healthy to those which are considered to be of substantial supervisory concern. The matrix so created results in nine assessment risk classifications, with rates ranging from .23% for well capitalized, healthy institutions to .31%

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for undercapitalized institutions with substantial supervisory concerns. The insurance premiums for the Association for the first semi-annual period in calendar 1996 was .23%.

The BIF fund met its target reserve level in September 1995, but the SAIF is not expected to meet its target reserve level until at least 2002. Consequently, in late 1995, the FDIC approved a final rule regarding deposit insurance premiums which, effective with respect to the semiannual premium assessment beginning January 1, 1996, reduced deposit insurance premiums for BIF member institutions to zero basis points (subject to an annual minimum of $2,000) for institutions in the lowest risk category. Deposit insurance premiums for SAIF members were maintained at their existing levels (23 basis points for institutions in the lowest risk category).

On September 30, 1996, President Clinton signed into law legislation which will eliminate the premium differential between SAIF-insured institutions and BIF-insured institutions by recapitalizing the SAIF's reserves to the required ratio. The legislation provides that all SAIF member institutions pay a one-time special assessment to recapitalize the SAIF, which in the aggregate will be sufficient to bring the reserve ratio in the SAIF to 1.25% of insured deposits. The legislation also provides for the merger of the BIF and the SAIF, with such merger being conditioned upon the prior elimination of the thrift charter.

Effective October 8, 1996, FDIC regulations imposed a one-time special assessment of 65.7 basis points of SAIF-assessable deposits as of March 31, 1995, which was collected on November 27, 1996. The Association's one-time pre-tax special assessment amounted to $3.7 million, or $2.4 million after tax. The payment of such special assessment, net of tax, had the effect of immediately reducing the Association's capital by $2.4 million. Nevertheless, management does not believe that this one-time special assessment will have a material adverse effect on the Company's consolidated financial condition or cause non-compliance with the Association's regulatory capital requirements.

On October 16, 1996, the FDIC proposed to lower assessment rates for SAIF members to reduce the disparity in the assessment rates paid by BIF and SAIF members. Beginning October 1, 1996, effective SAIF rates would range from zero basis points to 27 basis points. From 1997 through 1999, SAIF members will pay 6.4 basis points to fund the Financing Corporation while BIF member institutions will pay about 1.3 basis points. The Association's insurance premiums, which have amounted to 23 basis points will be reduced to 6.4 basis points. Based upon the level of assessable deposits at September 30, 1996, the Association would expect to pay $900,000 less in insurance premiums during fiscal 1997 or approximately $.06 per share, after tax.

CAPITAL REQUIREMENTS. Federally insured savings associations are required to maintain minimum levels of regulatory capital. The OTS has established capital standards applicable to all savings associations. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. The OTS also is authorized to impose

capital requirements in excess of these standards on individual associations on a case-by-case basis.

Current OTS capital standards require savings associations to satisfy three different capital requirements. Under these standards, savings associations must maintain "tangible" capital equal to at least 1.5% of adjusted total assets, "core" capital equal to at least 3.0% of adjusted total assets and "total" capital (a combination of core and "supplementary" capital) equal to at least 8.0% of "risk-weighted" assets. For purposes of the regulation, core capital generally consists of common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, minority interests in the equity accounts of fully consolidated subsidiaries, certain nonwithdrawable accounts and pledged deposits, and "qualifying supervisory goodwill." Tangible capital is given the same definition as core capital but does not include qualifying supervisory goodwill and is reduced by the amount of all the savings association's intangible assets, with only a limited exception for purchased mortgage servicing rights. The Association had no goodwill or other intangible assets at September 30, 1996. Both core and tangible capital are further reduced by an amount equal to a savings association's debt and equity investments in subsidiaries engaged in activities not permissible to national banks (other than subsidiaries engaged in activities undertaken as agent for customers or in mortgage banking activities and subsidiary depository institutions or their holding companies).

In determining compliance with the risk-based capital requirement, a savings association is allowed to include both core capital and supplementary capital in its total capital, provided that the amount of supplementary capital included does not exceed the savings association's core capital.

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Supplementary capital generally consists of hybrid capital instruments; perpetual preferred stock which is not eligible to be included as core capital; subordinated debt and intermediate-term preferred stock; and general allowances for loan losses up to a maximum of 1.25% of risk-weighted assets. In determining the required amount of risk-based capital, total assets, including certain off-balance sheet items, are multiplied by a risk weight based on the risks inherent in the type of assets. The risk weights assigned by the OTS for principal categories of assets are (i) 0% for cash and securities issued by the U.S. Government or unconditionally backed by the full faith and credit of the U.S. Government; (ii) 20% for securities (other than equity securities) issued by U.S. Government-sponsored agencies and mortgage-backed securities issued by, or fully guaranteed as to principal and interest by, the FNMA or the FHLMC, except for those classes with residual characteristics or stripped mortgage-related securities; (iii) 50% for prudently underwritten permanent one- to four-family first lien mortgage loans not more than 90 days delinquent and having a loan-to-value ratio of not more than 80% at origination unless insured to such ratio by an insurer approved by the FNMA or the FHLMC, qualifying residential bridge loans made directly for the construction of one- to four-family residences and qualifying multi-family residential loans; and (iv) 100% for all other loans and investments, including consumer loans, commercial loans, and one- to four-family residential real estate loans more than 90 days delinquent, and for repossessed assets.

In August 1993, the OTS adopted a final rule incorporating an interest-rate risk component into the risk-based capital regulation. Under the rule, an institution with a greater than "normal" level of interest rate risk will be subject to a deduction of its interest rate risk component from total capital for purposes of calculating its risk-based capital. As a result, such an institution will be required to maintain additional capital in order to comply with the risk-based capital requirement. An institution with a greater than "normal" interest rate risk is defined as an institution that would suffer a loss of net portfolio value exceeding 2.0% of the estimated economic value of its assets in the event of a 200 basis point increase or decrease (with certain minor exceptions) in interest rates. The interest rate risk component will be calculated, on a quarterly basis, as one-half of the difference between an institution's measured interest rate risk and 2.0%, multiplied by the economic value of its assets. The rule also authorizes the director of the OTS, or his designee, to waive or defer an institution's interest rate risk component on a case-by-case basis. The final rule became effective as of January 1, 1994, subject however to a two quarter "lag" time between the reporting date of the data used to calculate an institution's interest rate risk and the effective date of each quarter's interest rate risk component. However, in October 1994 the Director of the OTS indicated that it would waive the capital deductions for institutions with a greater than "normal" risk until the OTS publishes an appeals process. On August 21, 1995, the OTS released Thrift Bulletin 67 which established (i) an appeals process to handle "requests for adjustments" to the interest rate risk component and (ii) a process by which "well-capitalized" institutions may obtain authorization to use their own interest rate risk model to determine their interest rate risk component. The Director of the OTS indicated, concurrent with the release of Thrift Bulletin 67, that the OTS will continue to delay the implementation of the capital deduction for interest rate risk pending the testing of the appeals process set forth in Thrift Bulletin 67.

The following is a reconciliation of the Association's equity determined in accordance with GAAP to regulatory tangible, core, and risk-based capital at September 30, 1996.

	September 30, 1996		
	Tangible Capital	Core Capital	Risk-based Capital
	(In Thousands)		
GAAP equity	$132,076	$132,076	$132,076
Unrealized gain on available for sale securities, net of tax	(1,045)	(1,045)	(1,045)
Goodwill	---	---	---
Assets required to be deducted	---	---	---
General valuation allowances	---	---	1,024
Total regulatory capital	131,031	131,031	132,055
Minimum capital requirement per FIRREA published guidelines	10,942	21,883	15,474
Capital in Excess of Requirement	$120,089	$109,148	$116,581

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LIQUIDITY REQUIREMENTS. All savings associations are required to maintain an average daily balance of liquid assets equal to a certain percentage of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. The liquidity requirement may vary from time to time (between 4% and 10%) depending upon economic conditions and savings flows of all savings associations. At the present time, the required minimum liquid asset ratio is 5%. The Association has consistently exceeded such regulatory liquidity requirement and, at September 30, 1996, had a liquidity ratio of 13.0%.

ACCOUNTING REQUIREMENTS. Applicable OTS accounting regulations and reporting requirements apply the following standards: (i) regulatory reports will incorporate GAAP when GAAP is used by federal banking agencies; (ii) savings association transactions, financial condition and regulatory capital must be reported and disclosed in accordance with OTS regulatory reporting requirements that will be at least as stringent as for national banks; and (iii) the Director of the OTS may prescribe regulatory reporting requirements more stringent than GAAP whenever the Director determines that such requirements are necessary to ensure the safe and sound reporting and operation of savings associations.

The accounting principles for depository institutions are currently undergoing review to determine whether the historical cost model or market-based measure of valuation is the appropriate measure for reporting the assets of such institutions in their financial statements. Such proposal is controversial because any change in applicable accounting principles which requires depository institutions to carry mortgage-backed securities and mortgage loans at fair market value could result in substantial losses to such institutions and increased volatility in their liquidity and operations. Currently, it cannot be predicted whether there may be any changes in the accounting principles for depository institutions in this regard beyond those imposed by SFAS No. 115 or when any such changes might become effective.

QUALIFIED THRIFT LENDER TEST. Beginning January 1, 1993, a savings association shall cease to be a qualified thrift lender when its qualified thrift investments ("QTIs"), as measured by monthly averages over the immediately preceding twelve month period, fall below 65% for four or more of such months. Based on this regulatory standard, the Association ceased to be a qualified thrift lender in July 1993.

A savings association that does not meet the QTL Test must either convert to a bank charter or comply with the following restrictions on its operations: (i) the association may not engage in any new activity or make any new investment, directly or indirectly, unless such activity or investment is permissible for a national bank; (ii) the branching powers of the association shall be restricted to those of a national bank; (iii) the association shall not be eligible to obtain any advances from its FHLB; and (iv) payment of dividends by the association shall be subject to the rules regarding payment of dividends by a national bank. Upon the expiration of three years from the date the Association ceases to be a QTL, it must cease any activity and not retain any investment not permissible for a national bank and immediately repay any outstanding FHLB advances (subject to safety and soundness

considerations). To date, these restrictions have not limited the Association's operations in any manner.

Under OTS regulations which govern the conduct of savings and loan holding companies, any savings and loan holding company is required to register as a bank holding company within one year of the failure of the QTL Test by its subsidiary insured institution. Under such circumstances, the holding company would become subject to all of the provisions of the BHCA and other statutes applicable to bank holding companies, in the same manner and to the same extent as if the company were a bank holding company. Because the Association did not re-qualify as a QTL in July 1994, which is one year from the date of its failure of the QTL test, in connection with the conversion and the acquisition of all of the Association's capital stock by the Company, the Company applied to, and received approval from, the Board of Governors of the Federal Reserve System to become a bank holding company. This is in addition to the Association's status as a savings loan holding company.

During the last half of fiscal 1994, the Board of Directors authorized the Association to initiate a "tiered" or laddered investment strategy pursuant to which it anticipates investing approximately $400.0 million in mortgage-backed securities and U.S. Government securities with varying maturities and, with respect to longer-term investments, in mortgage loans. See "Business-General." Based upon such investment program, the Association as of August 1996 had maintained monthly averages of QTIs equal to at least

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92.21% of portfolio assets for at least nine months over a twelve month period, and had thereby re-qualified as a "qualified thrift lender." At September 30, 1996, 96.62% of the Association's assets were invested in QTIs.

Under Section 2303 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996, a savings association can comply with the QTL test by either meeting the QTL test set forth in the Home Owners' Loan Act, as amended ("HOLA") and implementing regulations or qualifying as a domestic building and loan association as defined in Section 7701(a)(19) of the Internal Revenue Code of 1986, as amended ("Code").

The QTL Test set forth in the HOLA requires that Qualified Thrift Investments ("QTIs") represent 65% of portfolio assets. Portfolio assets are defined as total assets less intangibles, property used by a savings association in its business and liquidity investments in an amount not exceeding 20% of assets. Generally, QTI's are residential housing related assets. The 1996 amendments allow small business loans, credit card loans, student loans, and loans for personal, family and household purposes to be included without limitation as qualified investments. At September 30, 1996, approximately 96.62% of the Association's assets were invested in QTIs, which was in excess of the percentage required to qualify the Association under the QTL Test in effect at that time.

RESTRICTIONS ON CAPITAL DISTRIBUTIONS. OTS regulations govern capital distributions by savings associations, which include cash dividends, stock redemptions or repurchases, cash-

out mergers, interest payments on certain convertible debt and other transactions charged to the capital account of a savings association to make capital distributions. Generally, the regulation creates a safe harbor for specified levels of capital distributions from associations meeting at least their minimum capital requirements, so long as such associations notify the OTS and receive no objection to the distribution from the OTS. Savings institutions and distributions that do not qualify for the safe harbor are required to obtain prior OTS approval before making any capital distributions.

Generally, savings associations that before and after the proposed distribution meet or exceed their fully phased-in capital requirements, or Tier 1 associations, may make capital distributions during any calendar year equal to the higher of (i) 100% of net income for the calendar year-to-date plus 50% of its "surplus capital ratio" at the beginning of the calendar year or (ii) 75% of net income over the most recent four-quarter period. The "surplus capital ratio" is defined to mean the percentage by which the association's ratio of total capital to assets exceeds the ratio of its fully phased-in capital requirement to assets. "Fully phased-in capital requirement" is defined to mean an association's capital requirement under the statutory and regulatory standards applicable on December 31, 1994, as modified to reflect any applicable individual minimum capital requirement imposed upon the association. Failure to meet fully phased-in or minimum capital requirements will result in further restrictions on capital distributions including possible prohibition without explicit OTS approval. See "- Capital Requirements."

In order to make distributions under these safe harbors, Tier 1 and Tier 2 associations must submit 30 days written notice to the OTS prior to making the distribution. The OTS may object to the distribution during that 30-day period based on safety and soundness concerns. In addition, a Tier 1 association deemed to be in need of more than normal supervision by the OTS may be downgraded to a Tier 2 or Tier 3 association as a result of such a determination. The Association currently is a Tier 1 institution for purposes of the regulation dealing with capital distributions.

OTS regulations also prohibit the Association from declaring or paying any dividends or from repurchasing any of its stock if, as a result, the regulatory (or total) capital of the Association would be reduced below the amount required to be maintained for the liquidation account established by it for certain depositors in connection with its conversion from mutual to stock form.

On December 5, 1994, the OTS published a notice of proposed rulemaking to amend its capital distribution regulation. Under the proposal, institutions would be permitted to only make capital distributions that would not result in their capital being reduced below the level required to remain "adequately capitalized." Because the Association is a subsidiary of a holding company, the proposal would require the Association to provide notice to the OTS of its intent to make a capital distribution. The Association does not believe that the proposal will adversely affect its ability to make capital distributions if it is adopted substantially as proposed.

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FEDERAL HOME LOAN BANK SYSTEM. The Association is a member of the FHLB of New York, which is one of 12 regional FHLBs that administers the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the Board of Directors of the FHLB. At September 30, 1996, the Association had $18.8 million in FHLB advances.

As a member, the Association is required to purchase and maintain stock in the FHLB of New York in an amount equal to at least 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year. At September 30, 1996, the Association had $4.6 million in FHLB stock, which was in compliance with this requirement.

The FHLBs are required to provide funds for the resolution of troubled savings associations and to contribute to affordable housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of FHLB dividends paid and could continue to do so in the future. These contributions also could have an adverse effect on the value of FHLB stock in the future. For the years ended September 30, 1996 and 1995, dividends paid by the FHLB of New York to the Association totalled approximately $277,000 and $259,000, respectively.

FEDERAL RESERVE SYSTEM. The Federal Reserve Board requires all depository institutions to maintain reserves against their transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. As of September 30, 1996, no reserves were required to be maintained on the first $4.2 million of transaction accounts, reserves of 3% were required to be maintained against the next $54.0 million of net transaction accounts (with such dollar amounts subject to adjustment by the FRB), and a reserve of 10% (which is subject to adjustment by the FRB to a level between 8% and 14%) against all remaining net transaction accounts. At September 30, 1996, the Association was in compliance with applicable requirements. However, because required reserves must be maintained in the form of vault cash or a non interest-bearing account at a Federal Reserve Association, the effect of this reserve requirement is to reduce an institution's earning assets.

NEW JERSEY LAW. The Commissioner regulates the Association's internal business procedures as well as it deposits, lending and investment activities. The Commissioner must approve changes to the Association's Certificate of Incorporation, establishment or relocation of branch offices, mergers and the issuance of additional stock. In addition, the Commissioner conducts periodic examinations of the Association. Certain of the areas regulated by the Commissioner are not subject to similar regulation by the FDIC.

Recent federal and state legislative developments have reduced distinctions between commercial banks and SAIF-insured savings institutions in New Jersey with respect to

lending and investment authority as well as interest rate limitations. As federal law has expanded the authority of federally chartered savings institutions to engage in activities previously reserved for commercial banks, New Jersey legislation and regulations ("parity legislation") have given New Jersey chartered savings institutions, such as the Association, the powers of federally chartered savings institutions.

FEDERAL AND STATE TAXATION

GENERAL. The Company and the Association are subject to the corporate tax provisions of the Internal Revenue Code of 1986 (the "Code"), as well as certain additional provisions of the Code which apply to thrift and other types of financial institutions. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Company and the Association.

FISCAL YEAR. The Company and the Association and its subsidiaries filed a consolidated federal income tax return on a September 30 fiscal year end basis, beginning with the fiscal year ended September 30, 1995.

METHOD OF ACCOUNTING. The Association maintains its books and records for federal income tax purposes using the accrual method of accounting. The accrual method of accounting generally requires that items of income be recognized when all events have occurred that establish the right to receive the income and the amount of income can be determined with reasonable

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accuracy, and that items of expense be deducted at the later of (i) the time when all events have occurred that establish the liability to pay the expense and the amount of such liability can be determined with reasonable accuracy or (ii) the time when economic performance with respect to the item of expense has occurred.

BAD DEBT RESERVES. Under applicable provisions of the Code, savings institutions such as the Association are permitted to establish reserves for bad debts and to make annual additions thereto which qualify as deductions from taxable income. The bad debt deduction is generally based on a savings institution's actual loss experience (the "Experience Method"). In addition, provided that certain definitional tests relating to the composition of assets and the nature of its business are met, a savings institution may elect annually to compute its allowable addition to its bad debt reserves for qualifying real property loans (generally loans secured by improved real estate) by reference to a percentage of its taxable income (the "Percentage Method").

Under the Experience Method, the deductible annual addition is the amount necessary to increase the balance of the reserve at the close of the taxable year to the greater of (i) the amount which bears the same ratio to loans outstanding at the close of the taxable year as the total net bad debts sustained during the current and five preceding taxable years bear to the sum of the loans outstanding at the close of those six years or (ii) the balance in the reserve account at the close of the Association's "base year," which was its tax year ended September 30, 1987.

Under the Percentage Method, the bad debt deduction with respect to qualifying real property loans is computed as a percentage of the Association's taxable income before such deduction, as adjusted for certain items (such as capital gains and the dividends received deduction). Under this method, a qualifying institution such as the Association generally may deduct 8% of its taxable income. The availability of the Percentage Method has permitted a qualifying savings institution, such as the Association, to be taxed at an effective federal income tax rate 8% lower than for corporations generally.

The income of the Company would not be subject to the bad debt deduction allowed the Association, whether or not consolidated tax returns are filed; however, losses of the Company or its subsidiaries included in the consolidated tax returns may reduce the bad debt deduction allowed the Association if a deduction is claimed under the Percentage Method.

On August 20, 1996, President Clinton signed legislation which eliminated the percentage of taxable income bad debt deduction for thrift institutions for tax years beginning after December 31, 1995. The new legislation also requires a thrift to generally recapture the excess of its current tax reserves over its 1987 base year reserves. As the Company has previously provided deferred taxes on this amount, no additional financial statement tax expense should result from this new legislation. The recapture amount may be suspended for two years if the Association meets certain residential lending origination requirements.

DISTRIBUTIONS. If the Association were to distribute cash or property to its sole stockholder having a total fair market value in excess of its accumulated tax-paid earnings and profits, or were to distribute cash or property to its stockholder in redemption of its stock, the Association would generally be required to recognize as income an amount which, when reduced by the amount of federal income tax that would be attributable to the inclusion of such amount in income, is equal to the lesser of: (i) the amount of the distribution or (ii) the sum of (a) the amount of the accumulated bad debt reserve of the Association with respect to qualifying real property loans (to the extent that additions to such reserve exceed the additions that would be permitted under the experience method) and (b) the amount of the Association's supplemental bad debt reserve.

MINIMUM TAX. The Code imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences ("alternative minimum taxable income" or "AMTI"). The alternative minimum tax is payable to the extent such AMTI is in excess of an exemption amount. The Code provides that an item of tax preference is the excess of the bad debt deduction allowable for a taxable year pursuant to the percentage of taxable income method over the amount allowable under the experience method. The other items of tax preference that constitute AMTI include (a) tax exempt interest on newly-issued (generally, issued on or after August 8, 1986) private activity bonds other than certain qualified bonds and (b) for taxable years beginning after 1989, 75% of the excess (if any) of (i) adjusted current earnings as defined in the Code, over (ii) AMTI (determined

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without regard to this preference and prior to reduction by net operating losses). Net operating losses can offset no more than 90% of AMTI. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years.

AUDIT BY IRS. The Association's federal income tax returns for taxable years through December 31, 1993 have been closed for the purpose of examination by the Internal Revenue Service.

STATE TAXATION. The Company and its non-thrift subsidiaries that are engaged in business in New Jersey are subject to the state's Corporate Business Tax Act which imposes a "franchise tax" at the rate of 9 percent on the Company's and its non-thrift subsidiaries' taxable income, before net operating loss deductions and special deductions, as calculated for federal income tax purposes. The Association is taxed at the rate of 3 percent on its taxable income, before net operating loss deductions and special deductions for federal income tax purposes.

ITEM 2. PROPERTIES

The following table sets forth certain information with respect to the Association's branch offices and operations center at September 30, 1996. The table does not reflect the two additional branch offices opened by the Association in October 1996 as discussed in Item 1 under "Business-Sources or Funds-Deposits."

Description/Address	Leased/Owned	Net Book Value of Property	Amount of Deposits
		(In Thousands)	
Main Office:			
Route 70 and Springdale Road Cherry Hill, New Jersey 08003	Owned	$ 360	$150,189
Branch Offices:			
Kings Highway and Chapel Avenue Cherry Hill, New Jersey 08034	Leased(1)	1	48,754
Centrum Shopping Center 219Y Haddonfield Berlin Road Cherry Hill, New Jersey 08034	Leased(2)	---	36,498
400 White Horse Pike 08021 Laurel Springs, New Jersey	Owned	320	166,874
Route 73 and Brick Road Marlton, New Jersey 08053	Leased(3)	7	27,611
Pleasant Valley Ave. and Fellowship Road Mount Laurel, New Jersey 08054	Owned	196	51,030
Hurffville - Crosskeys Road and Altair Drive Washington Township, New Jersey 08012	Owned	225	33,441
Route 70 and Hartford Road Medford, New Jersey 08055	Owned	260	56,608
Operations Center:			
1909 E. Marlton Pike Cherry Hill, New Jersey 08003	Owned	4,118	---
		$5,487	$571,005(4)

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(1) Ten year lease expires May 31, 2000 with no lease renewal options.

(2) Five year lease expires May 31, 1998 with two, five-year renewal options thereafter.

(3) Five year lease expires March 31, 1998 with no lease renewal options.

(4) Does not include accrued interest of $361,000.

ITEM 3. LEGAL PROCEEDINGS.

There are no material legal proceedings to which the Company or its subsidiary is a party or to which any of their property is subject.

In November 1995, Lawrence B. Seidman filed a complaint in the Superior Court of New Jersey, Passaic County, against the Company and its directors, alleging that a letter dated November 17, 1995, sent by the Company to its shareholders in connection with the Company's solicitation of proxies for the election of directors at the Annual Meeting held December 15, 1995, contained defamatory statements about Mr. Seidman. The Complaint requested an unspecified amount of damages (including punitive damages from the director defendants), interest, costs and fees, as well as an injunction prohibiting the Company from indemnifying the directors. An amended complaint was filed in January 1996, when the court, instead of dismissing the original complaint, permitted Mr. Seidman to amend his complaint. In November 1996, the Court again allowed Mr. Seidman to amend his complaint, this time to add allegations that two other letters sent by the Company to its shareholders during the proxy contest also contained defamatory statements. The Company and its directors have filed a motion for summary judgement; the motion has not yet been decided. The Company believes the suit is frivolous and without merit and intends to continue to defend the action vigorously.

On November 12, 1996, the Company filed suit in the United States District Court for the District of New Jersey against Mr. Seidman, Richard Whitman and other members of the "IBS Financial Corp. Committee to Maximize Shareholder Value." The Company's complaint alleges that the Committee had failed to disclose all the information required by the federal securities laws and the Company's Certificate of Incorporation in the materials it had submitted in connection with the nomination of Ernest Beier, Jr., for election as a director of the Company, and in the Committee's Schedule 13D filings with the Securities and Exchange Commission. The Company seeks a declaratory judgment that the Committee's filings are incomplete and inadequate, that the Company's Board properly rejected the nomination of Mr. Beier, and that the Company need not, at this time, provide a shareholder list to the Committee. The complaint also asks for an injunction against further violations of the securities laws by Messrs. Seidman and Whitman and the other members of their group. The Committee has counterclaimed, challenging the action of the Company's Board, in July 1996, reducing the number of directors from seven to six. Subsequent to the filing of the Company's complaint, the Committee has amended its Schedule 13D twice to provide certain of the information which the Company's complaint alleges was required to be previously disclosed.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Shares of the Company's common stock are traded nationally under the symbol "IBSF" on the NASDAQ Stock Market, National Market System. See also Note 20 of the Notes to Consolidated Financial Statements in Item 8 hereof incorporated herein by reference.

At November 30, 1996 the Company had approximately 2,200 stockholders of record.

ITEM 6. SELECTED FINANCIAL DATA.

The information required herein is incorporated by reference from page 5 of the Registrant's 1996 Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required herein is incorporated by reference from pages 6 to 18 of the Registrant's 1996 Annual Report.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required herein is incorporated by reference from pages 19 to 41 of the Registrant's 1996 Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required herein is incorporated by reference from the Registrant's definitive proxy statement for the Annual Meeting of Stockholders to be filed within 120 days after the Registrant's fiscal year end ("Definitive Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION.

The information required herein is incorporated by reference from the Definitive Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required herein is incorporated by reference from the Definitive Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required herein is incorporated by reference from the Definitive Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Document filed as part of this Report.

(1) The following documents are filed as part of this report and are incorporated herein by reference from the Registrant's 1996 Annual Report.

Report of Independent Auditors.

Consolidated Statements of Financial Condition at September 30, 1996 and 1995.

Consolidated Statements of Income for the Years Ended September 30, 1996, 1995, and 1994.

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended September 30, 1996, 1995 and 1994.

Consolidated Statements of Cash Flows for the Years Ended September 30, 1996, 1995 and 1994.

Notes to the Consolidated Financial Statements.

(2) All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

(3)(a) The following exhibits are filed as part of this Form 10-K, and this list includes the Exhibit Index.

No.	Description
3.1	Certificate of Incorporation of IBS Financial Corp.(1)
3.2	Amended Bylaws of IBS Financial Corp.
4	Stock Certificate of IBS Financial Corp.(1)
10.1	IBS Financial Corp. Employee Stock Ownership Plan and Trust(1)*
10.2	Amendment No. 1 to the IBS Financial Corp. Employee Stock Ownership Plan and Trust*

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10.3	Employment Agreement between the Registrant and Joseph M. Ochman, Sr.*
10.4	Employment Agreement between Inter-Boro Savings and Loan Association and Joseph M. Ochman, Sr.*
10.5	Employment Agreement between the Registrant, Inter-Boro Savings and Loan Association and Richard G. Sharp(2)*
10.6	Stock Option Plan(2)*
10.7	Recognition and Retention Plan of Inter-Boro Savings and Loan Association and Trust Agreement(2)*
13	1996 Annual Report to Stockholders
21	Subsidiaries of the Registrant - Reference is made to Item 1. "Business" for the required information
27	Financial Data Schedule

(FOOTNOTES ON THE FOLLOWING PAGE)

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(1) Incorporated by reference from the Registration Statement on Form S-1 (Registration No. 33-80548) filed by the Registrant with the Securities and Exchange Commission ("SEC") on June 21, 1994, as amended.

(2) Incorporated by reference from the Annual Report on Form 10-K filed by the Registrant with the SEC on December 23, 1994.

* Management contract or compensatory plan or arrangement.

(3)(b) Reports filed on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IBS FINANCIAL CORP.

By: /s/ Joseph M. Ochman, Sr.

Joseph M. Ochman, Sr.
Chairman of the Board,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Joseph M. Ochman, Sr.

Joseph M. Ochman, Sr.
Chairman of the Board, President and
Chief Executive Officer

December 20, 1996

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/s/ Richard G. Sharp
--------------------------------- December 20, 1996
Richard G. Sharp
Executive Vice President and
Chief Financial Officer

/s/ Matthew J. Kennedy
--------------------------------- December 20, 1996
Matthew J. Kennedy
Executive Vice President
and Treasurer

/s/ Thomas J. Auchter
----------------------------- December 20, 1996
Thomas J. Auchter
Director

/s/ John A. Borden
----------------------------- December 20, 1996
John A. Borden
Director

/s/ Albert D. Stiles, Jr.
---------------------------- December 20, 1996
Albert D. Stiles, Jr.
Director

/s/ Frank G. Lockhart
---------------------------- December 20, 1996
Frank G. Lockhart
Director

/s/ Francis X. Lorbecki, Jr.
-------------------------------- December 20, 1996
Francis X. Lorbecki, Jr.
Director

/s/ Paul W. Gleason
-------------------------------- December 20, 1996
Paul W. Gleason
Director

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BYLAWS
OF
IBS FINANCIAL CORP.

(AMENDED AND RESTATED EFFECTIVE AS OF JULY 19, 1996)

ARTICLE I. OFFICES

1.1 REGISTERED OFFICE AND REGISTERED AGENT. The registered office of IBS Financial Corp. ("Corporation") shall be located in the State of New Jersey at 1909 East Route 70, Cherry Hill, New Jersey 08003, or at such place as may be fixed from time to time by the Board of Directors upon filing of such notices as may be required by law, and the registered agent shall have a business office identical with such registered office.

1.2 OTHER OFFICES. The Corporation may have other offices within or outside the State of New Jersey at such place or places as the Board of Directors may from time to time determine.

ARTICLE II. STOCKHOLDERS' MEETINGS

2.1 MEETING PLACE. All meetings of the stockholders shall be held at the principal place of business of the Corporation, or at such other place as shall be determined from time to time by the Board of Directors, and the place at which any such meeting shall be held shall be stated in the notice of the meeting.

2.2 ANNUAL MEETING TIME. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on the third Friday of January at the hour of 10:00 a.m., if not a legal holiday, and if a legal holiday, then on the day following, at the same hour, or at such other date and time as may be determined by the Board of Directors and stated in the notice of such meeting.

2.3 ORGANIZATION. Each meeting of the stockholders shall be presided over by the Chairman of the Board or by the President, or if neither the Chairman nor the President is present, by an Executive or Senior Vice President or such other officer as designated by the Board of Directors. The Secretary, or in his absence a temporary Secretary, shall act as secretary of each meeting of the stockholders. In the absence of the Secretary and any temporary Secretary, the chairman of the meeting may appoint any person present to act as secretary of the meeting. The chairman of any meeting of the stockholders, unless prescribed by law or regulation or unless the Chairman of the Board has otherwise determined, shall determine the order of the business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of

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discussion as seem to him in order.

2.4 SPECIAL MEETINGS. Special Meetings of the Stockholders of the Company shall be called and held as provided in the Company's Certificate of Incorporation, which provision is incorporated herein by reference with the same effect as if it were set forth herein.

2.5 NOTICE. Notice of the time, place and purpose or purposes of the annual meeting or a special meeting of stockholders shall be given by delivering personally or by mailing a written or printed notice of the same, at least ten days and not more than sixty days prior to the meeting, to each stockholder of record entitle to vote at such meeting. When any stockholders' meeting, either annual or special, is adjourned for thirty days or more, or if a new record date is fixed for an adjourned meeting of stockholders, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the time and place of any meeting adjourned for less than thirty days or of the business to be transacted thereat (unless a new record date if fixed therefor), other than an announcement at the meeting at which such adjournment is taken.

2.6 VOTING RECORD. At least ten days before each meeting of stockholders, a complete record of the stockholders entitled to vote at such meeting, or any adjournment thereof, shall be made, arranged in alphabetical order, with the address of and number of shares held by each, which record shall be kept on file at the registered office of the Corporation for a period of ten days prior to such meeting. The record shall be kept open at the time and place of such meeting for the inspection of any stockholder.

2.7 QUORUM. Except as otherwise provided by these Bylaws, the Certificate of Incorporation or the Business Corporation Act of New Jersey:

(a) A quorum at any annual or special meeting of stockholders shall consist of stockholders representing, either in person or by proxy, a majority of the outstanding capital stock of the Corporation entitled to vote at such meeting.

(b) The votes of a majority in interest of those present at any properly called meeting or adjourned meeting of stockholders at which a quorum, as defined above, is present, shall be sufficient to transact business.

2.8 VOTING OF SHARES.

(a) Except as otherwise provided in these Bylaws or to the extent that voting rights of the shares of any class or classes are limited or denied by the Certificate of Incorporation or the Business Corporation Act of New Jersey, each stockholder, on each matter submitted to a vote at a meeting of stockholders, shall have one vote for each share of stock registered in his name on the books of the Corporation.

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(b) Stockholders shall not be permitted to cumulate their votes for the election of directors. For the purposes of this Section, cumulative voting means a stockholder's

ability to vote, in person or by proxy, the number of shares owned by him or her for as many persons as there are directors to be elected and for whose election the stockholder has a right to vote, or to cumulate the votes by giving one candidate as many votes as the number of such directors to be elected multiplied by the number of his or her shares shall equal, or by distributing such votes on the same principle among any number of candidates.

(c) Directors are to be elected by a plurality of votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. If, at any meeting of stockholders, due to a vacancy or vacancies or otherwise, directors of more than one class of the Board of Directors are to be elected, each class of directors to be elected at the meeting shall be elected in a separate election by a plurality vote.

2.9 FIXING OF RECORD DATE. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or any adjournment thereof, or entitled to receive payment of any dividend, the Board of Directors may fix in advance a record date for any such determination of stockholders, such date to be not more than sixty days and, in case of a meeting of stockholders, not less than ten days prior to the date on which the particular action requiring such determination of stockholders is to be taken.

2.10 PROXIES. A stockholder may vote either in person or by proxy executed in writing by the stockholder, or his or her duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

2.11 WAIVER OF NOTICE. A waiver of any notice required to be given any stockholder, signed in person or by proxy of the person or persons entitled to such notice, whether before or after the time stated therein for the meeting, shall be equivalent to the giving of such notice.

2.12 VOTING OF SHARES IN THE NAME OF TWO OR MORE PERSONS. When ownership stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the stockholders of the Corporation any one or more of such stockholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the written agreement, if any, which governs the manner in which such shares shall be voted shall control, or if a written agreement does not exist, the vote or votes to which those persons are

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entitled shall be cast as directed by a majority of those holding such stock and present in person or by proxy at such meeting. If a majority of votes is not present at the meeting in person or by proxy, the shares shall be divided equally among those persons in whose names the ownership of the stock stands.

2.13 VOTING OF SHARES BY CERTAIN HOLDERS. Shares standing in the name of another corporation may be voted by an officer, agent or proxy as the bylaws of such corporation

may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares held by an administrator, executor, guardian or conservator may be voted by him or her, either in person or by proxy, without a transfer of such shares into his or her name. Shares standing in the name of a trustee may be voted by him or her, either in person or by proxy. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his or her name if authority to do so is contained in an appropriate order of the court or other public authority by which such receiver was appointed. A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

2.14 INSPECTORS. For each meeting of stockholders, the Board of Directors may appoint one or more inspectors of election. If for any meeting the inspector(s) appointed by the Board of Directors shall be unable to act or the Board of Directors shall fail to appoint any inspector, one or more inspectors may be appointed at the meeting by the chairman thereof. Such inspector(s) shall conduct the voting in each election of directors and, as directed by the Board of Directors or the chairman of the meeting, the voting on the matters voted on at such meeting, and after the voting shall make a certificate of the vote taken. Inspectors need not be stockholders.

ARTICLE III. CAPITAL STOCK

3.1 CERTIFICATES. Certificates of stock shall be issued in numerical order, and each stockholder shall be entitled to a certificate signed by the Chairman or Vice Chairman of the Board or President or a Vice President, and may be countersigned by the Secretary or the Treasurer, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of such officers may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. If an officer who has signed or whose facsimile signature has been placed upon such certificate ceases to be an officer before the certificate is issued, it may be issued by the Corporation with the same effect as if the person were an officer on the date of issue. Each certificate of stock shall state:

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(a) that the Corporation is organized under the laws of the State of New Jersey;

(b) the name of the person to whom issued;

(c) the number and class of shares and the designation of the series, if any, which such certificate represents;

(d) that the Corporation will furnish to any stockholder upon request and without charge, a full statement of (i) the designations, relative rights, preferences and limitations of the shares of each class and series authorized to be issued, so far as the same have been determined, and (ii) the authority of the Board of Directors to divide the shares into classes or series and to determine and change the relative rights, preferences and limitations of any class or series.

3.2 TRANSFERS.

(a) Transfers of stock shall be made only upon the stock transfer books of the Corporation, kept at the registered office of the Corporation or at its principal place of business, or at the office of its transfer agent or registrar, and before a new certificate is issued, the old certificate shall be surrendered for cancellation. The Board of Directors may, by resolution, open a share register in any state of the United States, and may employ an agent or agents to keep such register, and to record transfers of shares therein.

(b) Shares of stock shall be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on the back of the certificate or an assignment separate from the certificate, or by a written power of attorney to sell, assign and transfer the same, signed by the holder of said certificate. No shares of stock shall be transferred on the books of the Corporation until the outstanding certificates therefor have been surrendered to the Corporation.

3.3 REGISTERED OWNER. Registered stockholders shall be treated by the Corporation as the holders in fact of the stock standing in their respective names and the Corporation shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided below or by the laws of the State of New Jersey. The Board of Directors may adopt by resolution a procedure whereby a stockholder of the Corporation may certify in writing to the Corporation that all or a portion of the shares registered in the name of such stockholder are held for the account of a specified person or persons. The resolution shall set forth:

(a) The classification of stockholder who may certify;

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(b) The purpose or purposes for which the certification may be made;

(c) The form of certification and information to be contained herein;

(d) If the certification is with respect to a record date or closing of the stock transfer books, the date within which the certification must be received by the Corporation; and

(e) Such other provisions with respect to the procedure as are deemed necessary or desirable.

Upon receipt by the Corporation of a certification complying with the above requirements, the persons specified in the certification shall be deemed, for the purpose or purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the stockholder making the certification.

3.4 MUTILATED, LOST OR DESTROYED CERTIFICATES. In case of any mutilation, loss or destruction of any certificate of stock, another may be issued in its place upon receipt of proof of such mutilation, loss or destruction. The Board of Directors may impose conditions on such issuance and may require the giving of a satisfactory bond or indemnity to the Corporation in such sum as they might determine, or establish such other procedures as they deem necessary.

3.5 FRACTIONAL SHARES OR SCRIP. The Corporation may (a) issue fractions of a share which shall entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation; (b) arrange for the disposition of fractional interests by those entitled thereto; (c) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such shares are determined; or (d) issue scrip in registered or bearer form which shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip aggregating a full share.

3.6 SHARES OF ANOTHER CORPORATION. Shares owned by the Corporation in another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the Board of Directors may determine or, in the absence of such determination, by the President of the Corporation.

ARTICLE IV. BOARD OF DIRECTORS

4.1 POWERS. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws and the Certificate of Incorporation, all powers of the Corporation may be exercised by or under the

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authority of the Board of Directors, except as conferred on or reserved to the stockholders by law or by these Bylaws or the Certificate of Incorporation.

4.2 NUMBER AND ELECTION OF DIRECTORS.

(a) The Board of Directors shall be divided into four classes as nearly equal in number as possible. At the first annual meeting of stockholders following the effective date of the Corporation's Certificate of Incorporation, directors of the first class shall be elected to hold office for a term expiring at the next succeeding annual meeting, directors

of the second class shall be elected to hold office for a term expiring at the second succeeding annual meeting, directors of the third class shall be elected to hold office for a term expiring at the third succeeding annual meeting, directors of the fourth class shall be elected to hold office for a term expiring at the fourth succeeding annual meeting, and, with respect to directors of each class, until their respective successors are elected and qualified. At each subsequent annual meeting of stockholders, directors elected to succeed those whose terms are expiring shall be elected for a term of office to expire at the fourth succeeding annual meeting of stockholders and until their respective successors are elected and qualified. Directors need not be stockholders or residents of the State of New Jersey.

(b) The number of directors of the Corporation that shall constitute the initial Board of Directors shall be seven. The number of directors may at any time be increased or decreased by the affirmative vote of two-thirds of the Whole Board of Directors and a majority of the Continuing Directors, as such capitalized terms are defined in Article 8.1 of the Corporation's Certificate of Incorporation, provided that no decrease shall have the effect of shortening the term of any incumbent director (except as provided in Section 4.4 hereunder). Notwithstanding anything to the contrary contained in these Bylaws, the number of Directors may not be less than five nor more than fifteen.

4.3 VACANCIES. All vacancies in the Board of Directors, whether caused by resignation, death or otherwise, shall be filled in the manner provided in the Corporation's Certificate of Incorporation.

4.4 REMOVAL OF DIRECTORS. Directors may only be removed in the manner provided in the Corporation's Certificate of Incorporation.

4.5 REGULAR MEETING. Regular meetings of the Board of Directors or any committee may be held at the principal place of business of the Corporation or at such other place or places, either within or without the State of New Jersey, as the Board of Directors or such committee, as the case may be, may from time to time designate. The annual meeting of the Board of Directors shall be held without notice immediately after the adjournment of the annual meeting of stockholders. Notice of all regular meetings of the Board of Directors shall be given to each director by five days' service of the same by telegram, by letter

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or personally. Such notice need not specify the business to be transacted at, nor the purpose of, the meeting.

4.6 SPECIAL MEETINGS.

(a) Special meetings of the Board of Directors may be called at any time by the Chairman, the President or by a majority of the authorized number of directors, to be held at the principal place of business of the Corporation or at such other place or places as the Board of Directors or the person or persons calling such meeting may from time to time designate. Notice of all special meetings of the Board of Directors shall be given to

each director by five days' service of the same by telegram, by letter or personally. Such notice need not specify the business to be transacted at, nor the purpose of, the meeting.

(b) Special meetings of any committee may be called at any time by such person or persons and with such notice as shall be specified for such committee by the Board of Directors, or in the absence of such specification, in the manner and with the notice required for special meetings of the Board of Directors.

4.7 QUORUM AND ACTION BY BOARD. A majority of the Board of Directors shall be necessary at all meetings to constitute a quorum for the transaction of business. Any action approved by a majority of the votes of Directors present at a meeting at which a quorum is present shall be the act of the Board of any committee thereof.

4.8 WAIVER OF NOTICE. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A waiver of notice signed by the director or directors, whether before or after the time stated for the meeting, shall be equivalent to the giving of notice.

4.9 REGISTERING DISSENT. A director who is present at a meeting of the Board of Directors at which action on a corporate matter is taken shall be presumed to have assented to such action unless his or her dissent shall be entered in the minutes of the meeting, or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting, before the adjournment thereof, or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

4.10 EXECUTIVE AND OTHER COMMITTEES. The Board of Directors may appoint an Executive Committee and the Board of Directors or the Chairman of the Board may

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appoint such other standing or special committees of the Board from its members from time to time and invest such committees with such powers as are deemed appropriate, subject to such conditions as are deemed appropriate may be prescribed by the Board. An Executive Committee may be appointed by resolution passed by a majority of the full Board of Directors. It shall have and exercise all of the authority of the Board of Directors, except in reference to amending the Certificate of Incorporation or these Bylaws, adopting a plan of merger or consolidation, recommending the sale, lease or exchange or other dispositions of all or substantially all the property and assets of the Corporation otherwise than in the usual and regular course of business, recommending a voluntary dissolution or a revocation thereof, or such other matters that are reserved by the Business Corporation Act of New Jersey to the Board of Directors. All committees so appointed shall keep regular minutes of the transactions of their meetings and shall cause them to be recorded in books kept for that purpose in the office of the Corporation. The designation of any such committee, and

the delegation of authority thereto, shall not relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

4.11 REMUNERATION. Directors, as such, may receive a stated salary for their services in the form of a retainer. By resolution of the Board of Directors, a reasonable fixed sum, and reasonable expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board of Directors; provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of standing or special committees may be allowed like compensation for attending committee meetings.

4.12 ACTION BY DIRECTORS WITHOUT A MEETING. Any action required or which may be taken at a meeting of the Board of Directors, or of a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

4.13 ACTION OF DIRECTORS BY COMMUNICATIONS EQUIPMENT. Any action required or which may be taken at a meeting of directors, or of a committee thereof, may be taken by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time.

ARTICLE V. OFFICERS

5.1 DESIGNATIONS. The officers of the Corporation shall be a President, a Chief Executive Officer, a Secretary and a Treasurer, and such Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board of Directors may designate, who shall be elected for one year by the directors at their first

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meeting after the annual meeting of stockholders, and who shall hold office until their successors are elected and qualified. Any two or more offices may be held by the same person.

5.2 POWERS AND DUTIES. The officers of the Corporation shall have such authority and perform such duties as the Board of Directors may from time to time authorize or determine. In the absence of action by the Board of Directors, the officers shall have such powers and duties as generally pertain to their respective offices.

5.3 DELEGATION. In the case of absence or inability to act of any officer of the Corporation and of any person herein authorized to act in his or her place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

5.4 VACANCIES. Vacancies in any office arising from any cause may be filled by the Board of Directors at any regular or special meeting of the Board for the unexpired portion of the term.

5.5 OTHER OFFICERS. Directors may appoint such other officers and agents as they shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

5.6 TERM - REMOVAL. The officers of the Corporation shall hold office until their successors are chosen and qualify. Any officer or agent elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

5.7 BONDS. The Board of Directors may, by resolution, require any and all of the officers to give bonds to the Corporation, with sufficient surety or sureties, conditioned for the faithful performance of the duties of their respective offices, and to comply with such other conditions as may from time to time be required by the Board of Directors.

ARTICLE VI. DIVIDENDS AND FINANCE

6.1 DIVIDENDS. Dividends may be declared by the Board of Directors and paid by the Corporation out of the unreserved and unrestricted earned surplus of the Corporation, subject to the conditions and limitations imposed by the State of New Jersey. The stock transfer books may be closed for the payment of dividends during such periods of not in excess of sixty days, as from time to time may be fixed by the Board of Directors. The Board or Directors, however,

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without closing the books of the Corporation, may declare dividends payable only to the holders of record at the close of business on any business day not more than sixty days prior to the date on which the dividend is paid.

6.2 RESERVES. Before making up any distribution of earned surplus, there may be set aside out of the earned surplus of the Corporation such sum or sums as the directors from time to time in their absolute discretion deem expedient as a reserve fund to meet contingencies, or for equalizing dividends, or for maintaining any property of the Corporation, or for any other purpose. Any earned surplus of any year not distributed as dividends shall be deemed to have thus been set apart until otherwise disposed of by the Board of Directors.

6.3 DEPOSITORIES. The monies of the Corporation shall be deposited in the name of the Corporation in such bank or banks or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check or other order for payment of money signed by such persons and in such manner as may be determined by resolution of the Board of Directors.

ARTICLE VII. NOTICES

Except as may otherwise be required by law, any notice to any stockholder or director may be delivered personally or by mail. If mailed, the notice shall be deemed to have been delivered when deposited in the United States mail, addressed to the addressee at his or her last known address in the records of the Corporation, with postage thereon prepaid.

ARTICLE VIII. SEAL

The corporate seal of the Corporation shall be in such form and bear such inscription as may be adopted by resolution of the Board of Directors.

ARTICLE IX. BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall keep minutes and proceedings of its stockholders and Board of Directors; and it shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each. Any books, records and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

ARTICLE X. AMENDMENTS

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These Bylaws may be altered, amended or repealed in the manner set forth in the Certificate of Incorporation.

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AMENDMENT NUMBER ONE TO
IBS FINANCIAL CORP.
EMPLOYEE STOCK OWNERSHIP PLAN

BY THIS AGREEMENT, the IBS Financial Corp. Employee Stock Ownership Plan (herein referred to as the "Plan") is hereby amended as follows, effective as of January 1, 1996;

1. Section 4.4(b) of the Plan is amended and restated to read as follows:

The Employer shall provide the Administrator with all information required by the Administrator to make a proper allocation of the Employer's contributions for each Plan Year. Within a reasonable period of time after the date of receipt by the Administrator of such information, the Administrator shall allocate such contribution as follows:

(1) With respect to the Employer's Elective Contribution made pursuant to Section 4.1(a), to each Participant's Elective Account in an amount equal to each such Participant's Deferred Compensation for the year.

(2) With respect to the Employer's Non-Elective Contribution made pursuant to Section 4.1(b), to each Participant's Account in accordance with Section 4.1(b).

Only Participants who have completed a Year of Service during the Plan Year shall be eligible to share in the matching contribution for the year.

(3) With respect to the Employer's Qualified Non-Elective Contribution made pursuant to Section 4.1(c), to each Participant's Elective Account in accordance with Section 4.1(c).

Only Non-Highly Compensated Participants and Non-Key Employees who have completed a Year of Service during the Plan Year shall be eligible to share in the Qualified Non-Elective Contribution for the year.

(4) With respect to the Employer's Non-Elective Contribution made pursuant to Section 4.1(d), to each Participant's Account in the same proportion that each such Participant's Compensation for the year bears to the total Compensation of all Participants for such year.

Only Participants who have completed a Year of Service during the Plan Year shall be eligible to share in the discretionary contribution for the year.

2. Section 4.4(j) is hereby deleted in its entirety.

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3. Section 4.4(m) of the Plan is amended and restated to read as follows:

For any Top Heavy Plan Year, the minimum allocations set forth above shall be allocated to the Participant's Combined Account of all Non-Key Employees who are Participants, including Non-Key Employees who have (1) failed to complete a Year of Service; and (2) declined to make mandatory contributions (if required) or, in the case of a cash or deferred arrangement, elective contributions to the Plan.

4. Section 4.4(r)(1) is hereby amended and restated to read as follows:

The group of Participants eligible to share in the Employer's contribution and Forfeitures for the Plan Year shall be expanded to include the minimum number of Participants who would not otherwise be eligible as are necessary to satisfy the applicable test specified above. The specific Participants who shall become eligible under the terms of this paragraph shall be those Participants who, when compared to similarly situated Participants, have completed the greatest number of Hours of Service in the Plan Year.

5. Section 4.4(r)(2) is hereby amended and restated to read as follows:

If after application of paragraph (1) above, the applicable test is still not satisfied, then the group of Participants eligible to share in the Employer's contribution and Forfeitures for the Plan Year shall be further expanded to include the minimum number of Participants as are necessary to satisfy the applicable test. The specific Participants who shall become eligible to share shall be those Participants, when compared to similarly situated Participants, who have completed the greatest number of Hours of Service in the Plan Year before terminating employment.

IN WITNESS WHEREOF, this Amendment has been executed this 19th day of January, 1996.

Signed, sealed, and delivered
in the presence of:

IBS FINANCIAL CORP.

/s/ Chiara Eisennagel
____
Chiara Eisennagel
Secretary

By: /s/ Joseph M. Ochman, Sr.
____
Joseph M. Ochman, Sr.
President and Chief Executive Officer

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IBS FINANCIAL CORP. EMPLOYEE STOCK OWNERSHIP PLAN

By: /s/ Joseph M. Ochman, Sr.
____
Joseph M. Ochman, Sr., Trustee

By: /s/ Thomas J. Auchter
____
Thomas J. Auchter, Trustee

By: /s/ John A. Borden
____
John A. Borden, Trustee

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AGREEMENT

AGREEMENT, dated this 22nd day of April 1996, between IBS Financial Corp. (the "Corporation"), a New Jersey corporation and JOSEPH M. OCHMAN, SR. (the "Executive").

WITNESSETH

WHEREAS, the Executive is presently an officer of the Corporation and Inter-Boro Savings and Loan Association (the "Association") (together, the "Employers");

WHEREAS, the Employers desire to be ensured of the Executive's continued active participation in the business of the Employers and currently have a joint agreement with the Executive dated October 28, 1994;

WHEREAS, in accordance with Office of Thrift Supervision ("OTS") Regulatory Bulletin 27a, the Corporation and the Association desire to enter into separate agreements with the Executive with respect to his employment by each of the Employers; and

WHEREAS, in order to induce the Executive to remain in the employ of the Employers and in consideration of the Executive's agreeing to remain in the employ of the Employers, the parties desire to specify the severance benefits which shall be due the Executive by the Corporation in the event that his employment with the Corporation is terminated under specified circumstances;

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereby agree as follows:

1. DEFINITIONS. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) AVERAGE ANNUAL COMPENSATION. The Executive's "Average Annual Compensation" for purposes of this Agreement shall be deemed to mean the average level of compensation paid to the Executive by the Employers or any subsidiary thereof during the most recent five taxable years preceding the Date of Termination, including Base Salary and bonuses under any employee benefit plans of the Employers.

(b) BASE SALARY. "Base Salary" shall have the meaning set forth in Section 3(a) hereof.

(c) CAUSE. Termination of the Executive's employment for "Cause" shall mean termination because of personal dishonesty, incompetence, willful

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misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order or material breach of any provision of this Agreement.

(d) CHANGE IN CONTROL OF THE CORPORATION. "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"), or any successor thereto, whether or not the Corporation is registered under the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding securities; or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Corporation cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

(e) CODE. "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) DATE OF TERMINATION. "Date of Termination" shall mean (i) if the Executive's employment is terminated for Cause or for Disability, the date specified in the Notice of Termination, and (ii) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or as specified in such Notice.

(g) DISABILITY. Termination by the Corporation of the Executive's employment based on "Disability" shall mean termination because of any physical or mental impairment which qualifies the Executive for disability benefits under the applicable long-term disability plan maintained by the Employers or any subsidiary or, if no such plan applies, which would qualify the Executive for disability benefits under the Federal Social Security System.

(h) GOOD REASON. Termination by the Executive of the Executive's employment for "Good Reason" shall mean termination by the Executive following a Change in Control of the Corporation based on:

(i) Without the Executive's express written consent, a reduction by either of the Employers in the Executive's Base Salary as the same may be increased from time to time or, except to the extent permitted by Section 3(b) hereof, a reduction in the package of fringe benefits provided to the Executive, taken as

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a whole;

(ii) The principal executive office of either of the Employers is relocated outside of the Cherry Hill, New Jersey area or, without the Executive's express written consent, either of the Employers require the Executive to be based anywhere other than an area in which the Employers' principal executive office is located, except for required travel on

business of the Employers to an extent substantially consistent with the Executive's present business travel obligations;

(iii) Any purported termination of the Executive's employment for Cause, Disability or Retirement which is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (j) below; or

(iv) The failure by the Corporation to obtain the assumption of and agreement to perform this Agreement by any successor as contemplated in Section 9 hereof.

(i) IRS. IRS shall mean the Internal Revenue Service.

(j) NOTICE OF TERMINATION. Any purported termination of the Executive's employment by the Corporation for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the Corporation's termination of Executive's employment for Cause, which shall be effective immediately; and (iv) is given in the manner specified in Section 10 hereof.

(k) RETIREMENT. "Retirement" shall mean voluntary termination by the Executive in accordance with the Employers' retirement policies, including early retirement, generally applicable to their salaried employees.

2. TERM OF EMPLOYMENT.

(a) The Corporation hereby employs the Executive as President and Chief Executive Officer and Executive hereby accepts said employment and agrees to render such services to the Corporation on the terms and conditions set forth in

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this Agreement. The term of employment under this Agreement shall be for three years, commencing on the date of this Agreement and, upon approval of the Board of Directors of the Corporation, shall extend for an additional year on each annual anniversary of the date of this Agreement such that at any time the remaining term of this Agreement shall be from two to three years. Prior to the first annual anniversary of the date of this Agreement and each annual anniversary thereafter, the Board of Directors of the Corporation shall consider and review (with appropriate corporate documentation thereof, and after taking into account all relevant factors, including the Executive's performance hereunder) extension of the term under this Agreement, and the term shall continue to extend each year if the Board of

Directors approves such extension unless the Executive gives written notice to the Employers of the Executive's election not to extend the term, with such written notice to be given not less than thirty (30) days prior to any such anniversary date. If the Board of Directors elects not to extend the term, it shall give written notice of such decision to the Executive not less than thirty (30) days prior to any such anniversary date. If any party gives timely notice that the term will not be extended as of any annual anniversary date, then this Agreement shall terminate at the conclusion of its remaining term. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

(b) During the term of this Agreement, the Executive shall perform such executive services for the Corporation as may be consistent with his titles and from time to time assigned to him by the Corporation's Board of Directors.

3. COMPENSATION AND BENEFITS.

(a) The Employers shall compensate and pay Executive for his services during the term of this Agreement at a minimum base salary of $548,000 per year ("Base Salary"), which may be increased from time to time in such amounts as may be determined by the Boards of Directors of the Employers and may not be decreased without the Executive's express written consent. In addition to his Base Salary, the Executive shall be entitled to receive during the term of this Agreement such bonus payments as may be determined by the Boards of Directors of the Employers.

(b) During the term of the Agreement, Executive shall be entitled to participate in and receive the benefits of any pension or other retirement benefit plan, profit sharing, stock option, employee stock ownership, or other plans, benefits and privileges given to employees and executives of the Employers, to the extent commensurate with his then duties and responsibilities, as fixed by the Boards of Directors of the Employers. The Corporation shall not make any changes in such plans, benefits or privileges which would adversely affect Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all executive officers of the Corporation

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and does not result in a proportionately greater adverse change in the rights of or benefits to Executive as compared with any other executive officer of the Corporation. Nothing paid to Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to Executive pursuant to Section 3(a) hereof.

(c) During the term of this Agreement, Executive shall be entitled to paid annual vacation in accordance with the policies as established from time to time by the Boards of Directors of the Employers, which shall in no event be less than four weeks per annum. Executive shall not be entitled to receive any additional compensation from the Employers for failure to take a vacation, nor shall Executive be able to accumulate unused vacation time from one year to the next, except to the extent authorized by the Boards of Directors of the Employers.

(d) During the term of this Agreement, in keeping with past practices, the Employers shall continue to provide the Executive with the automobile he presently drives. The Employers shall be responsible and shall pay for all costs of insurance coverage, repairs, maintenance and other incidental expenses, including license, fuel and oil. The Employers shall provide the Executive with a replacement automobile of a similar type as selected by the Executive at approximately the time that his present automobile reaches (3) years of age and approximately every three (3) years thereafter, upon the same terms and conditions.

(e) During the term of this Agreement, in keeping with past practices, the Employers shall pay the Executive's annual membership dues at (2) two clubs of his choice.

(f) The Employers shall provide continued medical insurance in the Employers' health plan for the benefit of the Executive and his spouse until the Executive shall have attained the age of 70, whether or not the Executive is employed full time by the Employers, and such insurance shall be comparable to that which is provided to the Executive as of the date of this Agreement notwithstanding anything to the contrary in this Agreement and regardless of whether the Executive is eligible to participate in the Employers' health plan. In the event of the Executive's death before he attains the age of 70, the Employers shall provide the Executive's spouse continued medical insurance in the Employers' health plan comparable to that which is being provided to the Executive's spouse at such time for three years from the date of the Executive's death.

(g) In the event of the Executive's death during the term of this Agreement or if the Executive is terminated due to Disability, his spouse, estate, legal representative or named beneficiaries (as directed by the Executive in writing) shall be paid on a monthly basis the Executive's annual compensation from the Employers at the rate in effect at the time of the Executive's death or termination due to Disability for the remainder of the term

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of this Agreement.

(h) The Executive's compensation, benefits and expenses shall be paid by the Corporation and the Association in the same proportion as the time and services actually expended by the Executive on behalf of each respective Employer.

4. EXPENSES. The Employers shall reimburse Executive or otherwise provide for or pay for all reasonable expenses incurred by Executive in furtherance of, or in connection with the business of the Employers, including, but not by way of limitation, automobile expenses described in Section 3(d) hereof, and traveling expenses, and all reasonable entertainment expenses (whether incurred at the Executive's residence, while traveling or otherwise), subject to such reasonable documentation and other limitations as may be established by the Boards of Directors of the Employers. If such expenses are paid in the first instance by Executive, the Employers shall reimburse the Executive therefor.

5. TERMINATION.

(a) The Corporation shall have the right, at any time upon prior Notice of Termination, to terminate the Executive's employment hereunder for any reason, including without limitation termination for Cause, Disability or Retirement, and Executive shall have the right, upon prior Notice of Termination, to terminate his employment hereunder for any reason.

(b) In the event that (i) Executive's employment is terminated by the Corporation for Cause or Retirement or (ii) Executive terminates his employment hereunder other than for Good Reason, Executive shall have no right pursuant to this Agreement to compensation or other benefits for any period after the applicable Date of Termination, except as provided for in Section 3(f) hereof in the event of termination for Retirement.

(c) In the event that (i) Executive's employment is terminated by the Corporation for other than Cause, Disability, Retirement or the Executive's death or (ii) such employment is terminated by the Executive (a) due to a material breach of this Agreement by the Corporation, which breach has not been cured within fifteen (15) days after a written notice of non-compliance has been given by the Executive to the Employers, or (b) for Good Reason, then the Corporation shall

(A) pay to the Executive, in thirty-six (36) equal monthly installments beginning with the first business day of the month following the Date of Termination, a cash severance amount equal to three (3) times that portion of the Executive's Base Salary paid by the Corporation, and

(B) maintain and provide for a period ending at the earlier of (i) the expiration of the remaining term of employment pursuant hereto prior to

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the Notice of Termination or (ii) the date of the Executive's full-time employment by another employer (provided that the Executive is entitled under the terms of such employment to benefits substantially similar to those described in this subparagraph (B)), at no cost to the Executive, the Executive's continued participation in all group insurance, life insurance, health and accident, disability and other employee benefit plans, programs and arrangements offered by the Corporation in which the Executive was entitled to participate immediately prior to the Date of Termination (other than stock option and restricted stock plans of the Employers), provided that in the event that the Executive's participation in any plan, program or arrangement as provided in this subparagraph (B) is barred, or during such period any such plan, program or arrangement is discontinued or the benefits thereunder are materially reduced, the Corporation shall arrange to provide the Executive with benefits substantially similar to those which the Executive was entitled to receive under such plans, programs and arrangements immediately prior to the Date of Termination.

(d) In the event of the failure by either of the Employers to elect or to re-elect or to appoint or to re-appoint the Executive to the offices of President and Chief Executive Officer of the Employers or a material adverse change made by either of the Employers in the Executive's functions, duties or responsibilities as President and Chief Executive Officer of the Employers without the Executive's express written consent, the Executive shall be entitled to terminate his employment hereunder and shall be entitled to the payments and benefits provided for in Section 5(c)(A) and (B).

6. PAYMENT OF ADDITIONAL BENEFITS UNDER CERTAIN CIRCUMSTANCES.

(a) If the payments and benefits pursuant to Section 5 hereof, either alone or together with other payments and benefits which Executive has the right to receive from the Employers (including, without limitation, the payments and benefits which Executive would have the right to receive from the Association pursuant to Section 5 of the Agreement between the Association and Executive dated April 22, 1996 ("Association Agreement"), before giving effect to any reduction in such amounts pursuant to Section 6 of the Association Agreement), would constitute a "parachute payment" as defined in Section 280G(b)(2) of the Code (the "Initial Parachute Payment," which includes the amounts paid pursuant to clause (A) below), then the Corporation shall pay to the Executive, in thirty-six (36) equal monthly installments beginning with the first business day of the month following the Date of Termination, a cash amount equal to the sum of the following:

(A) the amount by which the payments and benefits that would have otherwise been paid by the Association to the Executive pursuant to Section 5 of the Association Agreement are reduced by the provisions of Section 6 of the Association Agreement;

(B) twenty (20) percent (or such other percentage equal to the tax

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rate imposed by Section 4999 of the Code) of the amount by which the Initial Parachute Payment exceeds the Executive's "base amount" from the Employers, as defined in Section 280G(b)(3) of the Code, with the difference between the Initial Parachute Payment and the Executive's base amount being hereinafter referred to as the "Initial Excess Parachute Payment";

(C) such additional amount (tax allowance) as may be necessary to compensate the Executive for the payment by the Executive of state and federal income and excise taxes on the payment provided under clause (B) above and on any

payments under this clause (C). In computing such tax allowance, the payment to be made under clause (B) above shall be multiplied by the "gross up percentage" ("GUP"). The GUP shall be determined as follows:

$$GUP = \frac{\text{Tax Rate}}{1 - \text{Tax Rate}}$$

The Tax Rate for purposes of computing the GUP shall be the highest marginal federal and state income and employment-related tax rate, including any applicable excise tax rate, applicable to the Executive in the year in which the payment under clause (B) above is made.

(b) Notwithstanding the foregoing, if it shall subsequently be determined in a final judicial determination or a final administrative settlement to which the Executive is a party that the actual excess parachute payment as defined in Section 280G(b)(1) of the Code is different from the Initial Excess Parachute Payment (such different amount being hereafter referred to as the "Determinative Excess Parachute Payment"), then the Corporation's independent tax counsel or accountants shall determine the amount (the "Adjustment Amount") which either the Executive must pay to the Corporation or the Corporation must pay to the Executive in order to put the Executive (or the Corporation, as the case may be) in the same position the Executive (or the Corporation, as the case may be) would have been if the Initial Excess Parachute Payment had been equal to the Determinative Excess Parachute Payment. In determining the Adjustment Amount, the independent tax counsel or accountants shall take into account any and all taxes (including any penalties and interest) paid by or for the Executive or refunded to the Executive or for the Executive's benefit. As soon as practicable after the Adjustment Amount has been so determined, the Corporation shall pay the Adjustment Amount to the Executive or the Executive shall repay the Adjustment Amount to the Corporation, as the case may be.

(c) In each calendar year that the Executive receives payments of benefits under this Section 6, the Executive shall report on his state and federal income tax returns such information as is consistent with the determination made by the

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independent tax counsel or accountants of the Corporation as described above. The Corporation shall indemnify and hold the Executive harmless from any and all losses, costs and expenses (including without limitation, reasonable attorneys' fees, interest, fines and penalties) which the Executive incurs as a result of so reporting such information. Executive shall promptly notify the Corporation in writing whenever the Executive receives notice of the institution of a judicial or administrative proceeding, formal or informal, in which the federal tax treatment under Section 4999 of the Code of any amount paid or payable under this Section 6 is being reviewed or is in dispute. The Corporation shall assume control at its expense over all legal and accounting matters pertaining to such federal tax treatment (except to the extent necessary or appropriate for the Executive to resolve any such proceeding with respect to any matter unrelated to amounts paid or payable pursuant to this Section 6)

and the Executive shall cooperate fully with the Corporation in any such proceeding. The Executive shall not enter into any compromise or settlement or otherwise prejudice any rights the Corporation may have in connection therewith without the prior consent of the Corporation.

7. MITIGATION; EXCLUSIVITY OF BENEFITS.

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise, nor shall the amount of any such benefits be reduced by any compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employers pursuant to employee benefit plans of the Employers or otherwise.

8. WITHHOLDING. All payments required to be made by the Corporation hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Corporation may reasonably determine should be withheld pursuant to any applicable law or regulation.

9. ASSIGNABILITY. The Corporation may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, bank or other entity with or into which the Corporation may hereafter merge or consolidate or to which the Corporation may transfer all or substantially all of their assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Corporation hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

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10. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Corporation: Secretary
IBS Financial Corp.
1909 E. Marlton Pike
Cherry Hill, New Jersey 08003

To the Association: Secretary
Inter-Boro Savings and Loan Association
1909 E. Marlton Pike
Cherry Hill, New Jersey 08003

To the Executive: Joseph M. Ochman, Sr.
774 Allison Court
Morrestown, New Jersey 08057

11. AMENDMENT; WAIVER. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer or officers as may be specifically designated by the Board of Directors of the Corporation to sign on its behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of New Jersey.

13. NATURE OF OBLIGATIONS. Nothing contained herein shall create or require the Corporation to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Corporation hereunder, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

14. HEADINGS. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

15. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other

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provisions of this Agreement, which shall remain in full force and effect.

16. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

17. ENTIRE AGREEMENT. This Agreement embodies the entire agreement between the Corporation and the Executive with respect to the matters agreed to herein. All prior agreements between the Corporation and the Executive with respect to the matters agreed to herein, including without limitation the Agreement between the Employers and the Executive dated October 28, 1994, are hereby superseded and shall have no force or effect. Notwithstanding the foregoing, nothing contained in this Agreement shall affect the agreement of even date being entered into between the Association and the Executive.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

Attest:

____

IBS FINANCIAL CORP.

By: /s/ JOHN A. BORDEN
____
John A. Borden, Director and Chairman of the Compensation Committee of the Board of Directors

EXECUTIVE

By: /s/ JOSEPH M. OCHMAN, SR.
____
Joseph M. Ochman, Sr.

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AGREEMENT

AGREEMENT, dated this 22nd day of April 1996, between Inter-Boro Savings and Loan Association (the "Association"), a New Jersey chartered savings and loan association and JOSEPH M. OCHMAN, SR. (the "Executive").

WITNESSETH

WHEREAS, the Executive is presently an officer of IBS Financial Corp. (the "Corporation") and the Association (together, the "Employers");

WHEREAS, the Employers desire to be ensured of the Executive's continued active participation in the business of the Employers and currently have a joint agreement with the Executive dated October 28, 1994;

WHEREAS, in accordance with Office of Thrift Supervision ("OTS") Regulatory Bulletin 27a, the Corporation and the Association desire to enter into separate agreements with the Executive with respect to his employment by each of the Employers; and

WHEREAS, in order to induce the Executive to remain in the employ of the Employers and in consideration of the Executive's agreeing to remain in the employ of the Employers, the parties desire to specify the severance benefits which shall be due the Executive by the Association in the event that his employment with the Association is terminated under specified circumstances;

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereby agree as follows:

1. DEFINITIONS. The following words and terms shall have the meanings set forth below for the purposes of this Agreement:

(a) AVERAGE ANNUAL COMPENSATION. The Executive's "Average Annual Compensation" for purposes of this Agreement shall be deemed to mean the average level of compensation paid to the Executive by the Employers or any subsidiary thereof during the most recent five taxable years preceding the Date of Termination, including Base Salary and bonuses under any employee benefit plans of the Employers.

(b) BASE SALARY. "Base Salary" shall have the meaning set forth in Section 3(a) hereof.

(c) CAUSE. Termination of the Executive's employment for "Cause" shall mean termination because of personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional

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failure to perform stated duties, willful

violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease-and-desist order or material breach of any provision of this Agreement.

(d) CHANGE IN CONTROL OF THE CORPORATION. "Change in Control of the Corporation" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"), or any successor thereto, whether or not the Corporation is registered under the Exchange Act; provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding securities; or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Corporation cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

(e) CODE. "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) DATE OF TERMINATION. "Date of Termination" shall mean (i) if the Executive's employment is terminated for Cause or for Disability, the date specified in the Notice of Termination, and (ii) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or as specified in such Notice.

(g) DISABILITY. Termination by the Association of the Executive's employment based on "Disability" shall mean termination because of any physical or mental impairment which qualifies the Executive for disability benefits under the applicable long-term disability plan maintained by the Employers or any subsidiary or, if no such plan applies, which would qualify the Executive for disability benefits under the Federal Social Security System.

(h) GOOD REASON. Termination by the Executive of the Executive's employment for "Good Reason" shall mean termination by the Executive following a Change in Control of the Corporation based on:

(i) Without the Executive's express written consent, a reduction by either of the Employers in the Executive's Base Salary as the same may be increased from time to time or, except to the extent permitted by Section 3(b) hereof, a reduction in the package of

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fringe benefits provided to the Executive, taken as a whole;

(ii) The principal executive office of either of the Employers is relocated outside of the Cherry Hill, New Jersey area or, without the Executive's

express written consent, either of the Employers require the Executive to be based anywhere other than an area in which the Employers' principal executive office is located, except for required travel on business of the Employers to an extent substantially consistent with the Executive's present business travel obligations;

(iii) Any purported termination of the Executive's employment for Cause, Disability or Retirement which is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (j) below; or

(iv) The failure by the Association to obtain the assumption of and agreement to perform this Agreement by any successor as contemplated in Section 9 hereof.

(i) IRS. IRS shall mean the Internal Revenue Service.

(j) NOTICE OF TERMINATION. Any purported termination of the Executive's employment by the Association for any reason, including without limitation for Cause, Disability or Retirement, or by the Executive for any reason, including without limitation for Good Reason, shall be communicated by written "Notice of Termination" to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a dated notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, (iii) specifies a Date of Termination, which shall be not less than thirty (30) nor more than ninety (90) days after such Notice of Termination is given, except in the case of the Association's termination of Executive's employment for Cause, which shall be effective immediately; and (iv) is given in the manner specified in Section 10 hereof.

(k) RETIREMENT. "Retirement" shall mean voluntary termination by the Executive in accordance with the Employers' retirement policies, including early retirement, generally applicable to their salaried employees.

2. TERM OF EMPLOYMENT.

(a) The Association hereby employs the Executive as President and Chief Executive Officer and Executive hereby accepts said employment and agrees to render such services to the Association on the terms and conditions set forth in

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this Agreement. The term of employment under this Agreement shall be for three years, commencing on the date of this Agreement and, upon approval of the Board of Directors of the Association, shall extend for an additional year on each annual anniversary of the date of this Agreement such that at any time the remaining term of this Agreement shall be from two to three years. Prior to the first annual anniversary of the date of this Agreement and each annual anniversary thereafter, the Board of Directors of the Association shall consider and review

(with appropriate corporate documentation thereof, and after taking into account all relevant factors, including the Executive's performance hereunder) extension of the term under this Agreement, and the term shall continue to extend each year if the Board of Directors approves such extension unless the Executive gives written notice to the Employers of the Executive's election not to extend the term, with such written notice to be given not less than thirty (30) days prior to any such anniversary date. If the Board of Directors elects not to extend the term, it shall give written notice of such decision to the Executive not less than thirty (30) days prior to any such anniversary date. If any party gives timely notice that the term will not be extended as of any annual anniversary date, then this Agreement shall terminate at the conclusion of its remaining term. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

(b) During the term of this Agreement, the Executive shall perform such executive services for the Association as may be consistent with his titles and from time to time assigned to him by the Association's Board of Directors.

3. COMPENSATION AND BENEFITS.

(a) The Employers shall compensate and pay Executive for his services during the term of this Agreement at a minimum base salary of $548,000 per year ("Base Salary"), which may be increased from time to time in such amounts as may be determined by the Boards of Directors of the Employers and may not be decreased without the Executive's express written consent. In addition to his Base Salary, the Executive shall be entitled to receive during the term of this Agreement such bonus payments as may be determined by the Boards of Directors of the Employers.

(b) During the term of the Agreement, Executive shall be entitled to participate in and receive the benefits of any pension or other retirement benefit plan, profit sharing, stock option, employee stock ownership, or other plans, benefits and privileges given to employees and executives of the Employers, to the extent commensurate with his then duties and responsibilities, as fixed by the Boards of Directors of the Employers. The Association shall not make any changes in such plans, benefits or privileges which would adversely affect Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all executive officers of the Association and does not result in a proportionately greater adverse change in the rights of

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or benefits to Executive as compared with any other executive officer of the Association. Nothing paid to Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the salary payable to Executive pursuant to Section 3(a) hereof.

(c) During the term of this Agreement, Executive shall be entitled to paid annual vacation in accordance with the policies as established from time to time by the Boards of Directors of the Employers, which shall in no event be less than four weeks per annum. Executive shall not be entitled to receive any additional compensation from the Employers for failure to take a vacation, nor shall Executive be able to accumulate unused vacation

time from one year to the next, except to the extent authorized by the Boards of Directors of the Employers.

(d) During the term of this Agreement, in keeping with past practices, the Employers shall continue to provide the Executive with the automobile he presently drives. The Employers shall be responsible and shall pay for all costs of insurance coverage, repairs, maintenance and other incidental expenses, including license, fuel and oil. The Employers shall provide the Executive with a replacement automobile of a similar type as selected by the Executive at approximately the time that his present automobile reaches (3) years of age and approximately every three (3) years thereafter, upon the same terms and conditions.

(e) During the term of this Agreement, in keeping with past practices, the Employers shall pay the Executive's annual membership dues at (2) two clubs of his choice.

(f) The Employers shall provide continued medical insurance in the Employers' health plan for the benefit of the Executive and his spouse until the Executive shall have attained the age of 70, whether or not the Executive is employed full time by the Employers, and such insurance shall be comparable to that which is provided to the Executive as of the date of this Agreement notwithstanding anything to the contrary in this Agreement and regardless of whether the Executive is eligible to participate in the Employers' health plan. In the event of the Executive's death before he attains the age of 70, the Employers shall provide the Executive's spouse continued medical insurance in the Employers' health plan comparable to that which is being provided to the Executive's spouse at such time for three years from the date of the Executive's death.

(g) In the event of the Executive's death during the term of this Agreement or if the Executive is terminated due to Disability, his spouse, estate, legal representative or named beneficiaries (as directed by the Executive in writing) shall be paid on a monthly basis the Executive's annual compensation from the Employers at the rate in effect at the time of the Executive's death or termination due to Disability for the remainder of the term

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of this Agreement.

(h) The Executive's compensation, benefits and expenses shall be paid by the Corporation and the Association in the same proportion as the time and services actually expended by the Executive on behalf of each respective Employer.

4. EXPENSES. The Employers shall reimburse Executive or otherwise provide for or pay for all reasonable expenses incurred by Executive in furtherance of, or in connection with the business of the Employers, including, but not by way of limitation, automobile expenses described in Section 3(d) hereof, and traveling expenses, and all reasonable entertainment expenses (whether incurred at the Executive's residence, while traveling or otherwise), subject to such reasonable documentation and other limitations as may be established by the Boards of Directors of the Employers. If such expenses are paid in the first instance by Executive, the Employers shall reimburse the Executive therefor.

5. TERMINATION.

(a) The Association shall have the right, at any time upon prior Notice of Termination, to terminate the Executive's employment hereunder for any reason, including without limitation termination for Cause, Disability or Retirement, and Executive shall have the right, upon prior Notice of Termination, to terminate his employment hereunder for any reason.

(b) In the event that (i) Executive's employment is terminated by the Association for Cause or Retirement or (ii) Executive terminates his employment hereunder other than for Good Reason, Executive shall have no right pursuant to this Agreement to compensation or other benefits for any period after the applicable Date of Termination, except as provided for in Section 3(f) hereof in the event of termination for Retirement.

(c) In the event that (i) Executive's employment is terminated by the Association for other than Cause, Disability, Retirement or the Executive's death or (ii) such employment is terminated by the Executive (a) due to a material breach of this Agreement by the Association, which breach has not been cured within fifteen (15) days after a written notice of non-compliance has been given by the Executive to the Employers, or (b) for Good Reason, then the Association shall, subject to the provisions of Section 6 hereof, if applicable

(A) pay to the Executive, in thirty-six (36) equal monthly installments beginning with the first business day of the month following the Date of Termination, a cash severance amount equal to three (3) times that portion of the Executive's Base Salary paid by the Association, and

(B) maintain and provide for a period ending at the earlier of (i) the expiration of the remaining term of employment pursuant hereto prior to

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the Notice of Termination or (ii) the date of the Executive's full-time employment by another employer (provided that the Executive is entitled under the terms of such employment to benefits substantially similar to those described in this subparagraph (B)), at no cost to the Executive, the Executive's continued participation in all group insurance, life insurance, health and accident, disability and other employee benefit plans, programs and arrangements offered by the Association in which the Executive was entitled to participate immediately prior to the Date of Termination (other than stock option and restricted stock plans of the Employers), provided that in the event that the Executive's participation in any plan, program or arrangement as provided in this subparagraph (B) is barred, or during such period any such plan, program or arrangement is discontinued or the benefits thereunder are materially reduced, the Association shall arrange to provide the Executive with benefits substantially similar to those which the Executive was entitled to receive under such plans, programs and arrangements immediately prior to the Date of Termination.

(d) In the event of the failure by either of the Employers to elect or to re-elect or to appoint or to re-appoint the Executive to the offices of President and Chief Executive Officer of the Employers or a material adverse change made by either of the Employers in the Executive's functions, duties or responsibilities as President and Chief Executive Officer of the Employers without the Executive's express written consent, the Executive shall be entitled to terminate his employment hereunder and shall be entitled to the payments and benefits provided for in Section 5(c)(A) and (B).

6. LIMITATION OF BENEFITS UNDER CERTAIN CIRCUMSTANCES. If the payments and benefits pursuant to Section 5 hereof, either alone or together with other payments and benefits which Executive has the right to receive from the Association, would constitute a "parachute payment" under Section 280G of the Code, the payments and benefits payable by the Association pursuant to Section 5 hereof shall be reduced, in the manner determined by the Executive, by the amount, if any, which is the minimum necessary to result in no portion of the payments and benefits payable by the Association under Section 5 being non-deductible to the Association pursuant to Section 280G of the Code and subject to the excise tax imposed under Section 4999 of the Code. The parties hereto agree that the payments and benefits payable pursuant to this Agreement to the Executive upon termination shall be limited to three times the Executive's average annual compensation (based upon the most recent five taxable years) in accordance with OTS Regulatory Bulletin 27a. The determination of any reduction in the payments and benefits to be made pursuant to Section 5 shall be based upon the opinion of independent tax counsel selected by the Association's independent public accountants and paid by the Association. Such counsel shall be reasonably acceptable to the Association and the Executive; shall promptly prepare the foregoing opinion, but in no event later than thirty (30) days from the Date of Termination; and may use such actuaries as such counsel deems necessary or advisable for the purpose. Nothing contained herein shall result in a reduction of any payments or benefits to which the Executive may be

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entitled upon termination of employment under any circumstances other than as specified in this Section 6, or a reduction in the payments and benefits specified in Section 5 below zero.

7. MITIGATION; EXCLUSIVITY OF BENEFITS.

(a) The Executive shall not be required to mitigate the amount of any benefits hereunder by seeking other employment or otherwise, nor shall the amount of any such benefits be reduced by any compensation earned by the Executive as a result of employment by another employer after the Date of Termination or otherwise.

(b) The specific arrangements referred to herein are not intended to exclude any other benefits which may be available to the Executive upon a termination of employment with the Employers pursuant to employee benefit plans of the Employers or otherwise.

8. WITHHOLDING. All payments required to be made by the Association hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax

and other payroll deductions as the Association may reasonably determine should be withheld pursuant to any applicable law or regulation.

9. ASSIGNABILITY. The Association may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any corporation, bank or other entity with or into which the Association may hereafter merge or consolidate or to which the Association may transfer all or substantially all of their assets, if in any such case said corporation, bank or other entity shall by operation of law or expressly in writing assume all obligations of the Association hereunder as fully as if it had been originally made a party hereto, but may not otherwise assign this Agreement or its rights and obligations hereunder. The Executive may not assign or transfer this Agreement or any rights or obligations hereunder.

10. NOTICE. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Association: Secretary
Inter-Boro Savings and Loan Association
1909 E. Marlton Pike
Cherry Hill, New Jersey 08003

To the Corporation: Secretary
IBS Financial Corp.

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1909 E. Marlton Pike
Cherry Hill, New Jersey 08003

To the Executive: Joseph M. Ochman, Sr.
774 Allison Court
Morrestown, New Jersey 08057

11. AMENDMENT; WAIVER. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer or officers as may be specifically designated by the Board of Directors of the Association to sign on its behalf. No waiver by any party hereto at any time of any breach by any other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

12. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the substantive laws of the State of New Jersey.

13. NATURE OF OBLIGATIONS. Nothing contained herein shall create or require the Association to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that the Executive acquires a right to receive benefits from the Association hereunder, such right shall be no greater than the right of any unsecured general creditor of the Association.

14. HEADINGS. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

15. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

16. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

17. REGULATORY ACTIONS. The following provisions shall be applicable to the parties to the extent that they are required to be included in employment agreements between a savings association and its employees pursuant to Section 563.39(b) of the Regulations Applicable to all Savings Associations, 12 C.F.R. Section 563.39(b), or any successor thereto, and shall be controlling in the event of a conflict with any other provision of this Agreement, including without limitation Section 5 hereof.

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(a) If Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Association's affairs pursuant to notice served under Section 8(e)(3) or Section 8(g)(1) of the Federal Deposit Insurance Act ("FDIA")(12 U.S.C. Sections 1818(e)(3) and 1818(g)(1)), the Association's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Association may, in its discretion: (i) pay Executive all or part of the compensation withheld while its obligations under this Agreement were suspended, and (ii) reinstate (in whole or in part) any of its obligations which were suspended.

(b) If Executive is removed from office and/or permanently prohibited from participating in the conduct of the Association's affairs by an order issued under Section 8(e)(4) or Section 8(g)(1) of the FDIA (12 U.S.C. Sections 1818(e)(4) and (g)(1)), all obligations of the Association under this Agreement shall terminate as of the effective date of the order, but vested rights of the Executive and the Association as of the date of termination shall not be affected.

(c) If the Association is in default, as defined in Section 3(x)(1) of the FDIA (12 U.S.C. Section 1813(x)(1)), all obligations under this Agreement shall terminate as of the date of

default, but vested rights of the Executive and the Association as of the date of termination shall not be affected.

(d) All obligations under this Agreement shall be terminated pursuant to 12 C.F.R. Section 563.39(b)(5) (except to the extent that it is determined that continuation of the Agreement for the continued operation of the Association is necessary): (i) by the Director of the OTS, or his/her designee, at the time the Federal Deposit Insurance Corporation ("FDIC") or Resolution Trust Corporation enters into an agreement to provide assistance to or on behalf of the Association under the authority contained in Section 13(c) of the FDIA (12 U.S.C. Section 1823(c)); or (ii) by the Director of the OTS, or his/her designee, at the time the Director or his/her designee approves a supervisory merger to resolve problems related to operation of the Association or when the Association is determined by the Director of the OTS to be in an unsafe or unsound condition, but vested rights of the Executive and the Employers as of the date of termination shall not be affected.

18. REGULATORY PROHIBITION. Notwithstanding any other provision of this Agreement to the contrary, any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the FDIA (12 U.S.C. Section 1828(k)) and any regulations promulgated thereunder.

19. ENTIRE AGREEMENT. This Agreement embodies the entire agreement between the Association and the Executive with respect to the matters agreed to

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herein. All prior agreements between the Association and the Executive with respect to the matters agreed to herein, including without limitation the Agreement between the Employers and the Executive dated October 28, 1994, are hereby superseded and shall have no force or effect. Notwithstanding the foregoing, nothing contained in this Agreement shall affect the agreement of even date being entered into between the Corporation and the Executive.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

Attest: IBS FINANCIAL CORP.

____

By: /s/ JOHN A. BORDEN
____
John A. Borden, Director and Chairman of the Compensation Committee of the Board of Directors

EXECUTIVE

By: /s/ JOSEPH M. OCHMAN, SR.
____
Joseph M. Ochman, Sr.

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IBS FINANCIAL CORP.
CONSOLIDATED FINANCIAL HIGHLIGHTS
(In thousands, except per share amounts)

	September 30, 1996	September 30, 1995
EARNINGS PERFORMANCE FOR THE FISCAL YEAR:		
Net interest income	$24,733	26,668
Net income	4,537(a)	9,920
PER SHARE:		
Net income	$0.43(a)	0.84
Cash dividends declared	0.234	0.135
Book value	13.42	13.03
FINANCIAL CONDITION AT FISCAL YEAR END:		
Total assets	$742,051	726,536
Investments	26,712	241,345
Securities available for sale	215,331	0
Mortgage-backed securities	285,267	311,753
Loans	185,031	141,781
Deposits	571,366	564,910
Stockholders' equity	144,284	158,049
PERFORMANCE RATIOS:		
Return on average assets	0.94%(b)	1.36%
Return on average equity	4.56%(b)	6.37%
Net interest margin	3.44%	3.77%
Operating expenses to average assets	1.92%(b)	1.68%
Efficiency ratio	55.96%	44.93%

(a) Reflects a one-time assessment of $3.7 million or $2.4 million after tax ($.23 per share) incurred in the September 1996 quarter to recapitalize the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation. See Note 18 of Notes to the Consolidated Financial Statements.

(b) Exclusive of one-time SAIF assessment. Including the SAIF assessment, return on average assets, return on average equity and operating expenses to average assets were .61%, 2.96% and 2.42%, respectively.

IBS FINANCIAL CORP.
SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in Thousands, Except per Share Data)
As of or For the Year Ended September 30,

	1996	1995	1994	1993	1992	1991
FINANCIAL CONDITION:						
Total assets	$742,051	726,536	663,866	665,933	652,614	626,075
Loans	185,031	141,781	140,618	157,030	185,188	199,027
Investments	26,712	241,345	289,495	238,138	205,916	99,430
Mortgage-backed securities	285,267	311,753	182,891	134,677	217,041	279,186
Cash and equivalents	12,466	12,542	32,586	119,014	24,392	30,912
Deposits	571,366	564,910	603,080	609,805	603,722	583,292
Stockholders' equity	144,284	158,049	57,594	52,631	44,579	37,954
Nonperforming assets (1)	827	663	1,005	5,478	8,495	8,751
Full service offices	8	8	8	8	8	8
OPERATIONS:						
Total interest income	$ 52,152	51,692	41,525	47,458	53,451	55,921
Total interest expense	27,419	25,024	25,674	28,093	34,916	42,851
Net interest income	24,733	26,668	15,851	19,365	18,535	13,070
Provision for loan losses	30	30	180	431	1,077	337
Other operating income	687	663	901	1,663	928	500
Operating expenses	14,231	12,215	9,015	8,738	8,342	8,387
Special SAIF assessment (2)	3,700	0	0	0	0	0

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Income before taxes	7,459	15,086	7,557	11,859	10,045	4,846
Income taxes	2,922	5,166	2,594	3,807	3,527	1,676
Net income	$ 4,537	9,920	4,963	8,052	6,518	3,169
PER COMMON SHARE:						
Net income	$ 0.43(2)	0.84	N/A	N/A	N/A	N/A
Cash dividends	0.234	0.135	N/A	N/A	N/A	N/A
OPERATING RATIOS (3):						
Average yield earned on interest-earning assets	7.25%	7.30%	6.36%	7.29%	8.52%	9.33%
Average rate paid on interest-bearing liabilities	4.70%	4.39%	4.20%	4.60%	5.86%	7.47%
Average interest rate spread (4)	2.55%	2.91%	2.16%	2.69%	2.66%	1.86%
Net interest margin	3.44%	3.77%	2.43%	2.98%	2.96%	2.18%
Ratio of interest-earning assets to interest-bearing liabilities	123.38%	124.27%	106.74%	106.62%	102.30%	105.24%
Net interest income to operating expenses	173.80%	218.32%	175.83%	221.64%	222.19%	155.84%
Operating expenses as a percent of average assets	1.92%	1.68%	1.34%	1.32%	1.30%	1.37%
Return on average assets	0.61%(2)	1.36%	0.74%	1.21%	1.02%	0.52%
Return on average equity	2.98%(2)	6.37%	8.98%	16.33%	15.58%	8.76%
Ratio of average equity to average assets	20.53%	21.18%	8.24%	7.43%	6.52%	5.90%
Dividend payout ratio	51.07%	17.06%	N/A	N/A	N/A	N/A
ASSET QUALITY RATIOS:						
Nonperforming loans and troubled debt restructurings as a percent of total loans	0.45%	0.47%	3.62%	3.49%	4.59%	4.40%
Nonperforming assets and troubled debt restructurings as a percent of total assets	0.11%	0.09%	0.77%	0.82%	1.30%	1.40%
Allowance for loan losses as a percent of total loans	0.55%	0.70%	0.38%	1.06%	0.67%	0.75%
Allowance for loan losses as a percent of nonperforming loans	123.8%	149.9%	52.7%	30.5%	17.9%	17.1%
Charge-offs to average loans receivable outstanding during the period	--	--	0.89%	--	0.68%	--

</TABLE>

____

(1) Nonperforming assets consist of nonperforming loans, troubled debt restructurings and real estate owned ("REO"). Nonperforming loans consist of nonaccrual loans and accruing loans 90 days or more overdue, while REO consists of real estate acquired through foreclosure and real estate acquired by acceptance of a deed-in lieu of foreclosure.

(2) Without giving effect to the special SAIF assessment, net income per share would have been $.66 and return on average assets and return on average equity would have been .94% and 4.56%, respectively. See Note 18 of Notes to the Consolidated Financial Statements.

(3) Asset Quality Ratios are end of period ratios, except for charge-offs to average loans. With the exception of end of period ratios, all ratios are based on monthly balances during the indicated periods.

(4) Interest rate spread represents the difference between the weighted average yield on average interest- earning assets and the weighted average cost of average interest-bearing liabilities, and net interest margin represents net interest income as a percent of average interest-earning assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

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IBS Financial Corp. (the "Company") is a New Jersey corporation organized in June 1994 by the Association for the purpose of acquiring all of the capital stock of Inter-Boro Savings and Loan Association issued in the conversion of the Association to stock form, which was completed on October 13, 1994. The only significant assets of the Company are its investments in the capital stock of the Association and IBSF Investment Corp., a wholly-owned investment subsidiary, the Company's loan to an employee stock ownership plan, and certain U.S. Government Agency securities.

The Association is a New Jersey chartered stock savings and loan association which conducts business from ten offices located in Camden, Burlington and Gloucester Counties, New Jersey. Two of these offices were just recently opened in Gloucester and Voorhees Townships, Camden County. The Association's operations date back to 1890. The Association's deposits are insured by the Savings Association Insurance Fund ("SAIF") of the Federal Deposit Insurance Corporation ("FDIC") to the maximum extent permitted by law.

IBS Financial Corp.'s consolidated operating results depend primarily upon its net interest income, which is determined by the difference between interest and dividend income on interest-earning assets, principally investment securities and other investments, mortgage-backed securities and loans, and interest expense on interest-bearing liabilities, which consist of deposits and advances from the Federal Home Loan Bank of New York. The Company's net income is also affected by its provision for loan losses, as well as the level of its other income, including loan fees and late charges, gains on the sale of investments and on the sale of real estate owned and other income and its general and administrative expenses, such as compensation and employee benefits, net occupancy and equipment expense, federal deposit insurance and miscellaneous other expenses, and income taxes.

OPERATING STRATEGY

The Company has traditionally offered a variety of savings products to its retail customers. The Company invests its funds in U.S. Government, U.S. Government agency and mortgage-backed securities, other short term investments and has concentrated its lending activities on real estate loans secured by single (i.e., "one-to-four") family residential properties. In fiscal 1996 the Company also expanded its investment in commercial real estate loans. The commercial real estate loans originated are collateralized by small professional and medical office buildings, commercial retail establishments and religious organizations in its market area. In addition and to a lesser degree, construction loans are originated to construct primarily single family residences. In the past, the Company has also purchased whole residential mortgage loans and participation interests in commercial real estate projects located principally in New Jersey.

The Company began to deemphasize its real estate lending in the late 1980's due to, among other reasons, declining real estate values. With the significant decline in interest rates experienced during the early 1990s, the Company was unwilling to actively originate long-term, fixed-rate residential mortgage loans or purchase fixed-rate mortgage-backed securities. During this period, the Company elected to build its liquidity, investing in U.S. Government and U.S. Government agency securities with short maturities and cash and cash equivalents, particularly bankers' acceptances. During the last half of 1994 ,with a rising rate environment, the Board of Directors authorized the Company to initiate a "tired" or laddered investment strategy under which it anticipated investing $400 million over approximately an 18 month time period in mortgage-backed securities and U.S. Government securities with varying maturities.

The Company successfully reinvested the approximately $400 million in mortgage-backed securities and U.S. Government and agency securities during the fiscal year ended September 30, 1995. At September 30, 1995 mortgage-backed securities amounted to $311.8 million or 42.9% of assets compared to $182.9 million or 27.5% of assets at September 30, 1994. In addition, the Company's net interest margin increased to 3.77% for the year ended September 30, 1995 compared to 2.43% for the fiscal year ended September 30, 1994.

During fiscal 1996, the Company began emphasizing the origination of single family residential loans and changed the mix of its originations to include more commercial real estate loans in the local marketplace. In addition, the Company continued to reduce its liquid assets by reinvesting the proceeds of maturing investments into mortgage-backed securities generally with maturities of five and seven years. This was designed to increase the Company's yield on its loan portfolio. However, the Company experienced heavy repayments of higher yielding residential loans and mortgage-backed securities that were reinvested in lower yielding loan and mortgage-backed securities. As a result, the Company's net interest margin was pressured, decreasing to 3.44% for the year ended September 30, 1996.

ASSET AND LIABILITY MANAGEMENT

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The principal objective of the Company's asset liability management function is to evaluate the interest-rate risk included in certain balance sheet accounts, determine the level of risk appropriate given the Company's business focus, operating environment, capital and liquidity requirements and performance objectives, establish prudent asset concentration guidelines and manage the risk consistent with Board approved guidelines. The Company seeks to reduce the vulnerability of its operations to changes in interest rates and to manage the ratio of interest-rate sensitive assets to interest-rate sensitive liabilities within specified maturities or repricing dates. The Company's actions in this regard are taken under the guidance of the Asset/Liability Management Committee ("ALCO"), which is chaired by the Chief Financial Officer and comprised principally by members of the Company's senior management. The ALCO reviews, among other things, the sensitivity of the Company's assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, purchase activity and maturity of investments. In connection therewith, the ALCO generally reviews the Association's liquidity, cash flow needs, maturities of investments, deposits and

borrowings and current market conditions and interest rates. The Chief Executive Officer has authority to adjust pricing weekly with respect to the Association's retail deposits.

The Company's primary ALCO monitoring tool is assets/liability simulation models prepared on a quarterly basis and are designed to capture the dynamics of balance sheet, rate and spread movements and to quantify variations in net interest income under different interest rate environments. The Company also utilizes market-value analysis, which addresses the change in equity value arising from movements in interest rates. The market value of equity is estimated on a market value basis. Market value analysis is intended to evaluate the impact of immediate and sustained interest-rate shifts of the current yield curve upon the market value of the current balance sheet.

One measure of interest rate risk is the gap ratio, which is defined as the difference between the dollar volume of interest-earning assets and interest-bearing liabilities maturing or repricing within a specified period of time as a percentage of total assets. A positive gap results when the volume of interest rate-sensitive assets exceeds that of interest rate-sensitive liabilities within comparable time periods. A negative gap results when the volume of interest-bearing liabilities exceeds that of interest rate-sensitive assets within comparable time periods.

As indicated in the table below, the Company's one year gap position at September 30, 1996 was a negative 8.9%. The one year time frame has been keyed on because the majority of the Company's interest-earning assets and interest-bearing liabilities are subject to repricing or maturity within this period. Generally, a financial institution with a negative gap position will most likely experience increases in net interest income during periods of falling interest rates and decreases in net interest income during periods of rising interest rates.

The following rate sensitivity table sets forth certain information at September 30, 1996 relating to the Company's assets and liabilities based on scheduled repricing for adjustable assets and liabilities, or by contractual maturity for fixed-rate assets and liabilities.

RATE SENSITIVITY ANALYSIS

IBS FINANCIAL CORP.
RATE SENSITIVITY ANALYSIS

<TABLE>
<CAPTION>

	(DOLLARS IN THOUSANDS) SEPTEMBER 30, 1996				
	SIX MONTHS	ONE YEAR	OVER 1-3 YEARS	OVER 3-5 YEARS	OVER 5 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:	$				
Loans	15,095	24,452	40,904	26,127	80,939
Mortgage-backed securities	50,130	65,252	88,069	213,994	34,320
Investments	64,399	23,994	0	0	0
Total	129,624	113,698	128,973	240,121	115,259
Interest-bearing liabilities:					
Maturing certificates of deposit	129,186	121,195	142,327	17,075	8,538
MMDA and NOW accounts	38,355	2,016	6,128	13,582	0

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Passbook balances	7,872	7,872	31,488	33,722	13,885
Borrowed funds	1,490	1,536	6,618	6,495	2,652
Total	176,903	132,619	186,561	70,874	25,075
GAP	$(47,279)	(18,921)	(57,588)	169,247	90,184
Cumulative GAP	$(47,279)	(66,200)	(123,788)	45,459	135,643
Cumulative GAP to total assets	-6.4%	-8.9%	-16.7%	6.1%	18.3%

</TABLE>

RESULTS OF OPERATIONS

The Company's net income for the year ended September 30, 1996 amounted to $4.5 million or $.43 per share compared with $9.9 million or $.84 per share for fiscal 1995. Net income, before the one-time special assessment by the Savings Association Insurance Fund ("SAIF"), for the year ended September 30, 1996 amounted to $6.9 million or $.66 per share. Per share amounts for prior periods have been restated to reflect the 10% stock dividend paid on March 15, 1996. In addition, the per share amount for the fiscal year ended September 30, 1995 includes earnings from the completion date of the initial public offering and conversion on October 13, 1994. The decrease in earnings, before the special SAIF assessment, was principally attributable to increased operating expenses as well as reductions in net interest income reflecting increased deposit and borrowing costs.

The Company reported net income of $9.9 million for the year ended September 30, 1995, an increase of $4.9 million or 98.0% from the $5.0 million earned in fiscal 1994. This significant increase was due to substantially increased interest income, which was primarily attributable to the program of reinvesting cash and cash equivalent assets. Approximately $400 million, including the $104 million of net proceeds raised in the Company's initial public offering, was reinvested in mortgage-backed securities and U.S. Government and agency securities with a range of varying maturities.

NET INTEREST INCOME

Net interest income decreased by $1.9 million or 7.3% to $24.7 million for the year ended September 30, 1996 from $26.7 million for the prior fiscal year. The decrease in net interest income for the year ended September 30, 1996 resulted from a decrease in average net interest-earning assets of $1.9 million or 1.4%, as well as a decrease in the average interest rate spread of 36 basis points. For the year ended September 30, 1995 net interest income amounted to $26.7 million, a $10.8 million or 68.2% increase from fiscal 1994. The increase in net interest income for the year ended September 30, 1995 resulted from an increase in average net interest-earning assets of $97.1 million or 235.4%, principally mortgage-backed securities, as well as an increase in the average interest rate spread of 75 basis points.

Total interest income increased by $.5 million or .9% for the year ended September 30, 1996 from $51.7 million for the comparable prior year. This increase was primarily the result of increases in average interest-earning assets of $11.7 million or 1.7%, principally mortgage-backed securities, which more than offset the 5 basis point decline in the average yield earned for the year ended September 30, 1996. For the year ended September 30, 1995, total interest income increased by $10.2 million or 24.5% from $41.5 million for the comparable prior period. This $10.2 million increase in total interest income was primarily the result of an increase in average interest-earning assets of $55.3 million or 8.5% for the year ended September 30, 1995, principally mortgage-backed securities. The average balance of mortgage-backed securities increased by $158.1 million or 130.5% which, despite a 157 basis point reduction in average yield earned, was more than sufficient to offset a $93.8 million or 24.4% decrease in the average balance of investment securities and a $9.1 million or 6.1% decrease in the average balance of loans.

Total interest expense increased by $2.4 million or 9.6% for the year ended September 30, 1996 to $27.4 million from $25.0 million for the prior fiscal year. Increases in average deposit balances and increases in the rates paid for the year ended September 30, 1996 were both contributing factors to the increase in total interest expense. Increases in average deposit and advance balances amounted to $13.6 million or 2.4% for the year ended September 30, 1996. The rate paid on average interest-bearing deposits and advances increased by 31 basis points during the year ended September 30, 1996. For the year ended

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September 30, 1995, total interest expense declined by $.7 million or 2.5% to $25.0 million from the prior fiscal year. The decrease in interest expense was attributable to a decrease in average deposit balances of $41.8 million or 6.8%, which more than offset a 19 basis point increase in the average rates paid for the year ended September 30, 1995. The decrease in average deposit balances reflected higher market interest rates being available on other financial instruments in the Company's marketplace as well as approximately $16.5 million that reflected amounts charged against depositors accounts on October 13, 1994 for the purchase of the Company's stock in the initial public offering.

INTEREST YIELD/RATE SPREAD ANALYSIS

The following table sets forth for the periods indicated information regarding (i) the Company's average balance sheet; (ii) the total dollar amounts of interest income from interest-earning assets and the resulting average yields (no tax equivalent adjustments were made); (iii) the total dollar amounts of interest expense on interest-bearing liabilities and the resulting average costs; (iv) average interest rate spread; and (vi) net interest margin. Nonaccrual loan balances are included in total loans. Loan fees are included in interest on total loans; however, such fees for all years presented are nominal.

IBS Financial Corp.
Spread Analysis

<TABLE>
<CAPTION>

(Dollars in Thgousands)
Year Ended September 30,

	1996			1995			1994		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:									
Loans	$159,628	$12,758	7.99%	$138,619	$11,337	8.18%	$147,691	$11,809	8.00%
Mortgage-backed securities	380,677	28,226	7.41%	279,290	23,304	8.34%	121,176	12,005	9.91%
Investments	179,420	11,168	6.22%	290,121	17,051	5.88%	383,874	17,711	4.61%
Total interest-earning assets	719,725	52,152	7.25%	708,030	51,692	7.30%	652,741	41,525	6.36%
Noninterest-earning assets	21,403			19,600			17,555		
Total assets	$741,128			$727,630			$670,296		
Interest-bearing liabilities:									
Deposits	$572,826	26,753	4.67%	569,738	25,024	4.39%	$611,514	25,674	4.20%
Borrowings	10,491	666	6.35%	0	0		0	0	
Total interest-bearing liabilities	583,317	27,419	4.70%	569,738	25,024	4.39%	611,514	25,674	4.20%
Non-interest-bearing liabilities	5,655			3,763			3,524		
Equity	152,156			154,129			55,258		
Total liabilities and equity	$741,128			$727,630			$670,296		
Net interest income and interest-rate spread		$24,733	2.55%		$26,668	2.91%		$15,851	2.16%

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Net yield on interest-earning assets	3.44%	3.77%	2.43%
Ratio of average interest-earning assets to average interest-bearing liabilities	123.38%	124.27%	106.74%

</TABLE>

VOLUME/RATE ANALYSIS

The following tables set forth, among other things, the extent which changes in interest rates and changes in the average balances of interest-earnings assets and interest-bearing liabilities have affected interest income and expense during the years ended September 30, 1996 and 1995.

IBS FINANCIAL CORP.
RATE VOLUME ANALYSIS

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30, 1996				YEAR ENDED SEPTEMBER 30, 1995			
	RATE	VOLUME	RATE/ VOLUME	TOTAL	RATE	RATE/ VOLUME	VOLUME	TOTAL
Interest Income:								
Loans	$ (263)	1,719	(35)	1,421	266	(726)	(12)	(472)
Mortgage-backed securities	(2,597)	8,456	(937)	4,922	(1,902)	15,669	(2,468)	11,299
Investments	(841)	(7,207)	2,165	(5,883)	7,294	(4,322)	(3,632)	(660)
Total	(3,701)	2,968	1,193	460	5,658	10,621	(6,112)	10,167
Interest expense:								
Deposits	1,595	136	(2)	1,729	1,162	(1,755)	(57)	(650)
Borrowings	0	0	666	666	0	0	0	0
Total	1,595	136	664	2,395	1,162	(1,755)	(57)	(650)
Net change in net interest income	$ (5,296)	2,832	529	(1,935)	4,496	12,376	(6,055)	10,817

<CAPTION>

	YEAR ENDED SEPTEMBER 30, 1994			
	RATE	VOLUME	RATE/ VOLUME	TOTAL
Interest Income:				
Loans	(425)	(2,443)	57	(2,811)
Mortgage-backed securities	(792)	(5,271)	232	(5,831)
Investments	(519)	3,180	48	2,709
Total	(1,736)	(4,534)	337	(5,933)
Interest expense:				
Deposits	(2,474)	60	(5)	(2,419)
Borrowings	0	0	0	0
Total	(2,474)	60	(5)	(2,419)
Net change in net interest income	738	(4,594)	342	(3,514)

</TABLE>

PROVISION FOR LOAN LOSSES

The Company establishes provisions for loan losses, which are charged to operations, in order to maintain the allowance for loan losses at a level which is considered to be appropriate based upon loan and loss experience and an evaluation of potential losses in the current loan portfolio, including the

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evaluation of impaired loans under SFAS Nos. 114 and 118. A loan is considered to be impaired when, based upon current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. An insignificant delay or insignificant shortfall in the amount of payments does not necessarily result in the loan being identified as impaired. For this purpose, delays less than 90 days are considered to be insignificant. As of September 30, 1996, 100% of the impaired loan balance was measured for impairment based upon the fair value of the loan's collateral. Impairment losses are included in the provision for loan losses. SFAS 114 and 118 do not apply to large groups of smaller balance homogenous loans that are collectively evaluated for impairment, except for those loans restructured under a troubled debt restructuring. Loans collectively evaluated for impairment include consumer loans and residential real estate loans. At September 30, 1996, the Company's impaired loans consisted of smaller balance residential mortgage loans.

For the years ended September 30, 1996, 1995 and 1994, provisions for loan losses were $30,000, $30,000 and $180,000, respectively. The reduced provision during the year ended September 30, 1995 compared to the previous fiscal year reflects a $3.2 million reduction in troubled debt restructuring of a commercial real estate participation as well as a reduction in nonperforming loans. At September 30, 1996, nonaccrual loans for which interest has been fully reserved totaled approximately $827,000. The Company's allowance for loan losses

amounted to $1,204,000 or 145.6% of total nonperforming loans and troubled debt restructurings and .55% of total loans receivable.

Although management utilizes its best judgment in providing for loan losses, there can be no assurance that the Company will not have to increase its provisions for loan losses in the future as a result of future increases in nonperforming loans or for other reasons which could adversely affect the Company's results of operations. In addition, various regulatory agencies periodically review the allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments of information that is available to them at the time of their examination.

OTHER OPERATING INCOME

Other operating income amounted to $687,000 for the year ended September 30, 1996, an increase of $24,000 or 3.6% over the comparable prior fiscal year. The increase reflected a $70,000 gain on the sale of an investment as well as increased loan fees and service charges on automated teller machine transactions that was only partially offset by $100,000 of rental income from real estate owned recognized in the prior fiscal year.

For the year ended September 30, 1995, other operating income decreased by $.2 million or 26.4% to $.7 million compared to $.9 million for the prior year. The decline for the year ended September 30, 1995 reflects the absence of $.3 million of non-recurring income earned in fiscal 1994 associated with a troubled debt restructuring, which was only partially offset by $.1 million of rental income from real estate owned recognized in fiscal 1995.

OPERATING EXPENSES

Operating expenses amounted to $17.9 million for the year ended September 30, 1996, an increase of $5.7 million or 46.8% compared to $12.2 million for the prior fiscal year. The SAIF special assessment amounted to $3.7 million of the $5.7 million increase in operating expenses. On September 30, 1996 ,as part of the omnibus appropriations package signed by the President, the government mandated a special assessment to recapitalize the SAIF, which is part of the Federal Deposit Insurance Corporation. The special assessment was levied against all savings institutions in the country with deposits insured by the SAIF. The Bank's future deposit insurance premiums will be significantly reduced as a result of this recapitalization legislation. The annual deposit insurance premiums will be reduced from $.23 for every $100 of deposits to $.064 for every $100 of deposits beginning January 1, 1997. The Bank expects to pay approximately $.9 million less in insurance premiums during fiscal 1997 or approximately $.06 per share based on the level of insured deposits at September 30, 1996.

Excluding the $3.7 million SAIF special assessment, operating expenses amounted to $14.2 million, an increase of $2.0 million or 16.5% compared to the prior fiscal year. Compensation and employee benefits increased $1.6 million or 21.8% to $9.1 million from $7.5 million for the year ended September 30, 1995. The substantial portion of this increase resulted from additional expenses associated with the Company's ESOP of $.6 million, MRP of $.3 million and supplemental pension plan of $.6 million. During fiscal 1996, the Company terminated a defined benefit pension plan and the related supplemental pension

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plan. The termination

resulted in an aggregate of $1.1 million of expense for these plans in fiscal 1996, which costs will not be incurred in fiscal 1997. As an additional cost savings measure, the Company also eliminated all bonuses to senior management in fiscal 1996. Professional fees and other expenses increased $.4 million representing additional proxy contest expenses incurred in connection with the Company's annual meeting, costs associated with pending litigation, and additional professional fees incurred as a result of being a public reporting company.

For the year ended September 30, 1995, operating expenses amounted to $12.2 million, an increase of $3.2 million or 35.5% compared to $9.0 million for the prior fiscal year. Most of the increase was due to costs associated with the implementation of the Company's ESOP and MRP. In addition, professional fees also increased during the 1995 fiscal year reflecting the additional costs associated with being a public reporting company as well as the new ESOP and MRP plans that were being implemented. Advertising expenses also increased during the year ended September 30, 1995 reflecting additional promotions regarding mortgage loans and savings programs.

INCOME TAXES

For the years ended September 30, 1996, 1995 and 1994, the Company incurred income tax expense of $2.9 million, $5.2 million and $2.6 million, respectively. The decrease in fiscal 1996 and the increase in fiscal 1995 compared to the prior year, respectively, in income tax expense generally follows the change in income before income taxes as well as, for fiscal 1996, additional state income tax expense. For additional information regarding income tax expense, refer to Note 11 of Notes to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The Association's primary sources of funds are deposits, repayments and maturities of outstanding loans and mortgage-backed securities, maturities of investment securities and other short-term investments, as well as advances from the Federal Home Loan Bank and funds provided from operations. While scheduled loan and mortgage-backed securities repayments and maturing investment securities and short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by the movement of interest rates in general, economic conditions and competition. The Association manages the pricing of its deposits to maintain a deposit balance deemed appropriate and desirable. In addition, the Association invests in short-term interest-earning assets which provide liquidity to meet lending requirements. The Association also utilizes other borrowing sources, principally advances from the Federal Home Loan Bank of New York. In the event of the need for an additional source of funds, the Board of Directors of the Association has provided management with the authority to borrow up to $10.0 million from the Federal Reserve Bank of Philadelphia, without the need for

additional Board approval. In addition, during the year ended September 30, 1996 the Association's Board of Directors also provided management with the authority to borrow up to $50 million from the Federal Home Loan Bank of New York.

Liquidity management is both a daily and long-term function. Excess liquidity is generally invested in short-term investments such as cash and cash equivalents, U.S. Treasury, U.S. Government agencies and other qualified investments. On a longer-term basis, the Association maintains a strategy of investing in various mortgage-backed securities and other investment securities and lending products. During the year ended September 30, 1996, the Association used its sources of funds primarily to meet its ongoing commitments to pay maturing savings certificates and savings withdrawals, fund loan and mortgage-backed securities commitments and maintain an increasing portfolio of mortgage-backed securities. At September 30, 1996, the total approved loan commitments outstanding amounted to $4.9 million. Certificates of deposit scheduled to mature in one year or less at September 30, 1996 totaled $242.8 million. Management of the Association believes that the Association has adequate resources, including principal prepayments and repayments of loans and mortgage-backed securities and maturing investments, to fund all of its commitments to the extent required. Based upon its historical run-off experience, management believes that a significant portion of maturing deposits will remain with the Association.

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The Association is required by the OTS to maintain average daily balances of liquids assets and short-term liquid assets as defined in amounts equal to 5% and 1%, respectively, of net withdrawable deposits and borrowings payable in one year or less to assure its ability to meet demand for withdrawals and repayments of short-term borrowings. The liquidity requirements may vary from time to time at the direction of the OTS depending upon economic conditions and deposit flows. The Association's average monthly liquidity ratio and short-term liquid assets for September 30, 1996 was 14.0% and 13.0%, respectively. The Association has substantially reduced its liquidity over the past two fiscal years.

The Office of Thrift Supervision requires that the Company meet minimum regulatory tangible, core and risk-based capital requirements. The Company is required to maintain tangible capital equal to at least 1.5% of its adjusted total assets, core capital equal to at least 3% of its adjusted total assets and total capital equal to at least 8% of its risk-weighted assets. At September 30, 1996 the Company exceeded all regulatory capital requirements. At such date, the Company had tangible capital equal to 19.3% of adjusted total assets, core capital equal to 19.3% of adjusted total assets and total capital equal to 73.6% of risk-weighted assets.

IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements of the Company and related notes presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, substantially all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since such prices are affected by inflation to a larger extent than interest rates. In the current interest rate environment, liquidity and the maturity structure of the Association's assets and liabilities are critical to the maintenance of acceptable performance levels.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company adopted Statement of Financial Accounting Standards ("SFAS") Nos. 114 and 118, "Accounting by Creditors for Impairment of a Loan and Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures", as of October 1, 1995. This statement requires that certain impaired loans be measured based on either the present value of expected future cash flows discounted at the loan's effective interest rate, or the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. The adoption of these statements did not result in any additional provisions for loan losses primarily because 100% of impaired loan valuations continue to be based on the fair value of collateral.

In October 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 "Accounting for Stock-Based Compensation" which provides companies with a choice either to expense the fair value of employee stock options over the vesting period (recognition method) or to continue the current practice but disclose the pro forma effects on net income and earnings per share had the fair value method been used (disclosure only method). Companies electing the disclosure only method will be required to include the pro forma effects of all awards granted in fiscal years beginning after December 15, 1994. IBS Financial Corp. elected the disclosure only method during this fiscal year.

On November 15, 1995, the FASB issued a Special Report, "A Guide to Implementation of Statement No. 115 on Accounting for Certain Investments in Debt and Equity Securities". On December 31, 1995, in accordance with the provisions in the Special Report, the Company reclassified $307 million of securities from held-to-maturity to available-for-sale. This reclassification resulted in a $3.8 million unrealized gain, net of tax, which was included in stockholders' equity at December 31, 1995. At September 30, 1996, this unrealized gain, net of tax, amounted to $1.0 million.

In May 1995, the FASB issued SFAS No. 122, "Accounting for Mortgage Servicing Rights and Excess Servicing Receivables and for Securitization of Mortgage Loans", which is effective for years beginning after December 15, 1995. This statement will require the Company to recognize servicing rights as assets, regardless of how such assets were acquired. Additionally, the Company will be required to assess the fair value of these assets at each reporting date to determine any potential impairment. Management of the Company has not completed

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an analysis of the effects this pronouncement will have on its results of operations or financial position.

[LOGO]

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
IBS Financial Corp.:

We have audited the accompanying consolidated statements of financial condition of IBS Financial Corp. and subsidiaries (the "Company") as of September 30, 1996 and 1995, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of IBS Financial Corp. and subsidiaries at September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

/s/ Deloitte & Toche LLP
October 31, 1996

IBS FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
SEPTEMBER 30, 1996 AND 1995
(Dollars in Thousands)

<TABLE>
<CAPTION>

ASSETS	1996	1995
<S>	<C>	<C>
Cash and cash equivalents	$ 12,466	$ 12,542
Investment securities held to maturity (estimated fair value 1996 - $26,724; 1995 - $241,901)	26,712	241,345
Investment securities available for sale (amortized cost 1996 - $48,194)	48,337	-
Mortgage-backed securities held to maturity (estimated fair value 1996 - $285,831; 1995 - $323,630)	285,267	311,753
Mortgage-backed securities available for sale (amortized cost 1996 - $165,485)	166,994	-
Loans receivable - (net of allowance for loan losses 1996 - $1,024; 1995 - $994)	185,031	141,781
Accrued interest receivable:		
Loans	872	601
Mortgage-backed securities	2,682	3,069
Investments	965	3,394
Federal Home Loan Bank stock - at cost	4,590	3,672
Office properties and equipment - net	6,084	6,245
Prepaid expenses and other assets	2,051	2,134
TOTAL ASSETS	$742,051	$726,536

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

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Deposits	$571,366	$564,910
FHLB advances	18,792	-
Advances from borrowers for taxes and insurance	2,218	1,784
Accounts payable and accrued expenses	5,391	1,793
Total liabilities	597,767	568,487
COMMITMENTS AND CONTINGENCIES (Notes 6 and 8)		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value, authorized 25,000,000 shares; issued, 11,609,723 shares	116	116
Additional paid-in capital	113,432	113,259
Common stock acquired by ESOP and MRP	(11,097)	(13,438)
Treasury stock - at cost; 1996 - 855,256 shares; 1995 - 580,486 shares	(12,104)	(7,751)
Net unrealized gain on securities available for sale, net of taxes	1,045	-
Retained earnings - substantially restricted	52,892	65,863
Total stockholders' equity	144,284	158,049
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$742,051	$726,536

</TABLE>

See notes to consolidated financial statements.

IBS FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994
(Dollars in Thousands Except Per Share Data)

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
INTEREST INCOME:			
Interest on loans	$ 12,758	$ 11,337	$ 11,809
Interest on mortgage-backed securities	28,226	23,304	12,005
Interest and dividends on investments	11,168	17,051	17,711
Total interest income	52,152	51,692	41,525
INTEREST EXPENSE:			
Deposits	26,753	25,024	25,674
Borrowings	666	-	-
Total interest expense	27,419	25,024	25,674
NET INTEREST INCOME	24,733	26,668	15,851
PROVISION FOR LOAN LOSSES	30	30	180
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	24,703	26,638	15,671
OTHER OPERATING INCOME:			
Loan fees and late charges	360	259	393
Other income	327	404	508
Total other operating income	687	663	901
OTHER EXPENSES:			
Compensation and employee benefits	9,116	7,483	4,926
Federal insurance premiums	1,300	1,346	1,397
SAIF assessment	3,700	-	-
Occupancy and equipment - net	1,134	1,141	1,078
Professional fees	759	486	263
Advertising and promotion	425	467	291
Data processing	442	430	415
Other operating expenses	1,055	862	645

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Total other expenses	17,931	12,215	9,015
INCOME BEFORE INCOME TAXES	7,459	15,086	7,557
INCOME TAXES	2,922	5,166	2,594
NET INCOME	$ 4,537	$ 9,920	$ 4,963
EARNINGS PER SHARE	$ 0.43	$ 0.84	$ -

</TABLE>

See notes to consolidated financial statements.

IBS FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Common Stock Acquired by ESOP and MRP	Treasury Stock	Net Unrealized Gains (Losses) on AFS Securities	Retained Earnings	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, OCTOBER 1, 1993	$ -	$ -	$ -	$ -	$ -	$ 52,631	$ 52,631
Net income	-	-	-	-	-	4,963	4,963
BALANCE, SEPTEMBER 30, 1994	-	-	-	-	-	57,594	57,594
Sale of 11,609,723 shares of common stock, $.01 par value (net of cost of $2,919)	116	113,062	-	-	-	-	113,178
ESOP debt	-	-	(9,288)	-	-	-	(9,288)
Payments on ESOP debt	-	-	1,063	-	-	-	1,063
Market adjustment - ESOP shares released	-	197	-	-	-	-	197
Purchase of MRP stock	-	-	(6,085)	-	-	-	(6,085)
MRP earned	-	-	872	-	-	-	872
Treasury stock purchased	-	-	-	(7,751)	-	-	(7,751)
Cash dividends ($0.135 per share	-	-	-	-	-	(1,651)	(1,651)
Net income	-	-	-	-	-	9,920	9,920
BALANCE, SEPTEMBER 30, 1995	116	113,259	(13,438)	(7,751)	-	65,863	158,049
Payments on ESOP debt	-	-	1,147	-	-	-	1,147
Market adjustment - ESOP shares released	-	388	-	-	-	-	388
MRP earned	-	-	1,194	-	-	-	1,194
Treasury stock purchased	-	-	-	(19,830)	-	-	(19,830)
Cash dividends ($0.234 per share)	-	-	-	-	-	(2,317)	(2,317)
10% stock dividend	-	(180)	-	15,371	-	(15,191)	-
Unrealized gain on transfer of securities from held to maturity to available for sale, net of tax at December							

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1995	-	-	-	-	3,149	-	3,149
Unrealized loss, net of taxes	-	-	-	-	(2,104)	-	(2,104)
Stock option exercised	-	(35)	-	106	-	-	71
Net income	-	-	-	-	-	4,537	4,537
BALANCE, SEPTEMBER 30, 1996	$ 116	$113,432	$(11,097)	$ (12,104)	$ 1,045	$ 52,892	$ 144,284

</TABLE>

See notes to consolidated financial statements.

IBS FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994
(Dollars in Thousands)

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
OPERATING ACTIVITIES:			
Net income	$ 4,537	$ 9,920	$ 4,963
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for depreciation and amortization	374	391	411
Provision for loan loss	30	30	180
Market adjustment on ESOP	388	197	-
MRP earned	1,194	872	-
Changes in assets and liabilities which provided (used) cash:			
Accrued interest receivable	2,545	(1,823)	(733)
Prepaid expenses and other assets	83	1,385	(808)
Accounts payable and accrued expenses	2,991	256	(150)
Net cash provided by operating activities	12,142	11,228	3,863
INVESTING ACTIVITIES:			
Principal repayments of:			
Loans receivable	22,728	15,192	40,796
Mortgage-backed securities held to maturity	44,862	35,710	57,873
Mortgage-backed securities available for sale	33,916	-	-
Purchases of:			
Investments held to maturity	(303,648)	(640,701)	(415,775)
Investments available for sale	(10)		
Mortgage-backed securities held to maturity	(217,777)	(164,572)	(106,087)
Proceeds from:			
Maturity of investments held to maturity	455,099	688,851	364,418
Maturity of investments available for sale	5,000		
Loans originated or acquired	(70,196)	(16,818)	(25,383)
Proceeds from loans sold	4,188	-	-
(Purchase) redemption of Federal Home Loan Bank stock	(918)	(1,068)	1,053
Proceeds from sale of real estate owned	-	1,252	-
Proceeds from sale of investments	9,998	-	-
Purchase of property and equipment	(213)	(543)	(182)
Net cash used in investing activities	(16,971)	(82,697)	(83,287)
FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	6,456	(38,170)	(6,725)
Net increase (decrease) in advances from borrowers for taxes and insurance	434	129	(279)
Advances from FHLB	20,000	-	-
Repayment of FHLB advances	(1,208)	-	-
Cash dividends paid	(2,317)	(1,651)	-
Proceeds from the sale of stock, net of ESOP shares acquired	-	103,890	-
Payments on ESOP debt	1,147	1,063	-

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Treasury stock acquired	(19,830)	(7,751)	-
Unearned MRP shares acquired	-	(6,085)	-
Stock options exercised	71	-	-
Net cash provided by (used in) financing activities	4,753	51,425	(7,004)
DECREASE IN CASH AND CASH EQUIVALENTS	(76)	(20,044)	(86,428)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,542	32,586	119,014
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,466	$ 12,542	$ 32,586
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest on deposits	$ 27,345	$ 25,025	$ 25,808
Income taxes	$ 3,275	$ 4,345	$ 2,843
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES - Transfers from loans to real estate owned	$ 56	$ -	$ 1,019

</TABLE>

See notes to consolidated financial statements.

IBS FINANCIAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1996, 1995 AND 1994
(Dollars in Thousands)

1. NATURE OF OPERATIONS

IBS Financial Corp. (the "Company") is a New Jersey Corporation organized in June 1994 for the purpose of acquiring all the capital stock of Inter-Boro Savings and Loan Association (the "Association") issued in the conversion of the Association to stock form (the "Conversion") which was completed on October 13, 1994 (see Note 17). The Association is a New Jersey chartered stock savings bank with ten branch offices in Camden, Burlington and Gloucester counties.

The Association is principally in the business of attracting deposits through its branch offices and investing those deposits together with funds from borrowings and operations primarily in single-family residential loans. The Company and the Association are supervised and regulated by the New Jersey Banking Department, the Office of Thrift Supervision, the Federal Reserve Bank, and the Federal Deposit Insurance Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - The financial statements of the Company have been prepared on the basis of generally accepted accounting principles. Due to the Conversion, the financial statements for year ended September 30, 1994 have been previously reported upon as Inter-Boro Savings and Loan Association.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of IBS Financial Corp. and its wholly owned subsidiaries Inter-Boro Savings and Loan Association and IBS Investment Corporation. All significant intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The most significant estimates and assumptions in the Company's financial statements affect the allowance for loan losses. Actual results could differ from those estimates.

INVESTMENT AND MORTGAGE-BACKED SECURITIES - In May 1993, the Financial

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Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 115, ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES. The Company adopted SFAS No. 115 effective October 1, 1994. There was no effect on stockholders' equity or net income of initially applying the new standard. The Company adopted the requirements of SFAS No. 115 to classify and account for debt and equity securities as follows:

HELD TO MATURITY - Debt securities that management has the positive intent and ability to hold until maturity are classified as held to maturity and are carried at their remaining unpaid principal balance, net of unamortized premiums or unaccreted discount. Premiums are amortized and discounts are accreted using the interest method over the estimated remaining term of the underlying security.

AVAILABLE FOR SALE - Debt and equity securities that will be held for an indefinite period of time, including securities that may be sold in response to changes in market interest or prepayment rates, needs for liquidity and changes in the availability of and the yield of alternative investments are classified as available for sale. These assets are carried at their estimated fair value, which management has determined to be market value. Market value is determined using published quotes as of the close of business.

During 1995, FASB issued a Special Report, A GUIDE TO IMPLEMENTATION OF STATEMENT NO. 115 ON ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES - QUESTIONS AND ANSWERS (the "Q&A Guide"). In December 1995, in accordance with the provision of the Q&A Guide, the Company transferred certain securities with an aggregate amortized cost of $199,401 from the classification of held to maturity to available for sale.

REAL ESTATE OWNED - Real estate owned is initially recorded at the lower of carrying value of the loan or fair value at the date of foreclosure less costs to dispose. Costs relating to the development and improvement of property are capitalized, and those relating to holding the property are charged to expense.

OFFICE PROPERTIES AND EQUIPMENT - Office properties and equipment are recorded at cost. Depreciation is computed using the straight-line method over the expected useful lives (3-40 years) of the assets. The costs of maintenance and repairs are expensed as they are incurred, and renewals and betterments are capitalized.

ALLOWANCES FOR LOAN LOSSES - Allowances for loan losses primarily include charges to reduce the recorded balances of mortgage loans receivable. The charges can represent a general reserve on the entire mortgage portfolio or specific reserves for individual loans.

Allowances are provided for specific loans when losses are probable and can be estimated. When this occurs, management considers the remaining principal balance and estimated net realizable value of the property collateralizing the loan. Current and future operating and/or sales conditions are considered. These estimates are susceptible to changes that could result in material adjustments to results of operations. Recovery of the carrying value of such loans is dependent, to a great extent, on economic, operating and other conditions that may be beyond management's control.

Loan loss reserves are established as an allowance for losses based on the perceived risk of loss in the loan portfolio. In assessing risk, management considers historical experience, volume and composition of lending conducted by the Company, industry standards, status of nonperforming loans, general economic conditions as they relate to the Company's market area, and other factors related to the collectibility of the Association's loan portfolio.

The Company adopted SFAS Nos. 114 and 118, ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN and ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN - INCOME RECOGNITION AND DISCLOSURES, as of October 1, 1995. SFAS No. 114 requires that certain impaired loans be measured either on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. The adoption of SFAS Nos. 114 and 118 did not result in additional provisions for loan losses primarily because 100% of impaired loan valuations continue to be based on the fair value of collateral.

INCOME RECOGNITION ON LOANS - Interest on loans is credited to income when

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earned. Accrual of loan interest is discontinued and a reserve established on existing accruals if management believes that after considering economic and business conditions and collection efforts, the borrowers' financial condition is such that collection of interest is doubtful.

DEFERRED LOAN FEES - The Company defers all loan origination fees net of certain direct loan origination costs, and recognizes fees by accretion into income as a yield adjustment over the life of the loan using the interest method.

EARNINGS PER SHARE- For the year ended September 30, 1996, earnings per share is based on income for the year ended September 30, 1996 divided by the weighted-average number of shares and equivalent shares outstanding during the period of 10,478,884. For the year ended September 30, 1995, earnings per share is based on income from October 13, 1994 (the date of the initial public offering) through September 30, 1995 of $9,679 divided by the weighted-average number of shares and equivalent shares outstanding during the period of 11,536,650 (restated for the stock dividend issued in March 1996). Since the initial offering was completed on October 13, 1994, earnings per share information for prior years is not applicable.

INCOME TAXES - The Company accounts for income taxes in accordance with SFAS No. 109, ACCOUNTING FOR INCOME TAXES. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Also under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

CASH AND CASH EQUIVALENTS - For purposes of reporting cash flows, cash and cash equivalents include cash and amounts due from depository institutions, and federal funds sold with original maturities of less than 90 days.

STOCK OPTIONS - The Company accounts for stock options under Accounting Principles Board Opinion No. 25 which measures compensation cost using the intrinsic value based method. In October 1995, the FASB issued SFAS No. 123, ACCOUNTING FOR STOCK BASED COMPENSATION, establishing financial accounting and reporting standards for stock-based employee compensation plans. This statement encourages all entities to adopt a new method of accounting to measure compensation cost of all employee stock compensation plans based on the estimated fair value of the award at the date it is granted. Companies are, however, allowed to continue to measure compensation cost for those plans using the INTRINSIC VALUE BASED METHOD of accounting, which generally does not result in compensation expense recognition for most plans. Companies that elect to remain with the existing accounting are required to disclose in a footnote to the financial statements proforma net income and, if presented, earnings per share, as if this Statement had been adopted. The accounting requirements of this Statement are effective for transactions entered into fiscal years that begin after December 15, 1995; however, companies are required to disclose information for awards granted in their first fiscal year beginning after December 15, 1994. Proforma disclosures for awards granted in the first fiscal year beginning after December 15, 1995 need not be included in financial statements for that fiscal year but shall be presented subsequently whenever financial statements for that fiscal year are presented for comprehensive purposes with financial statements in a later fiscal year. Management of the Company has not completed an analysis of the potential effects of this Statement on its financial condition or results of operations.

ACCOUNTING FOR MORTGAGE SERVICING RIGHTS - In May 1995, the FASB issued SFAS No. 122, ACCOUNTING FOR MORTGAGE SERVICING RIGHTS AND EXCESS SERVICING RECEIVABLES AND FOR SECURITIZATION OF MORTGAGE LOANS. SFAS No. 122, which is effective for the years beginning after December 15, 1995, will require the Company to recognize servicing rights as assets, regardless of how such assets were acquired. Additionally, the Company would be required to assess the fair value of these assets at each reporting date to determine any potential impairment. Management of the Company has not completed an analysis of the effects this pronouncement would have on its results of operations or financial position. Although superseded, this standard is applicable until the effective date of SFAS No. 125.

ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES - In June 1996, FASB issued SFAS No. 125, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES. SFAS No. 125 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a FINANCIAL-COMPONENTS APPROACH that focuses on control. Under that approach, after a transfer of financial assets, an entity

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recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished.

This statement requires that liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets be initially measured at fair value, if practicable. It also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer.

This statement amends SFAS No. 115, ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES, to clarify that a debt security may not be classified as held-to-maturity if it can be prepaid or otherwise settled in such a way that the holder of the security would not recover substantially all of its recorded investment. This statement amends and extends to all servicing assets and liabilities the accounting standards for mortgage servicing rights now in SFAS No. 65, ACCOUNTING FOR CERTAIN MORTGAGE BANKING ACTIVITIES, and supersedes SFAS No. 122, ACCOUNTING FOR MORTGAGE SERVICING RIGHTS.

This statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and is to be applied prospectively. Earlier or retroactive application is not permitted. Management has not yet determined the effect of adopting this standard.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at September 30, 1996 and 1995 consist of the following:

		1996	1995
Cash and amounts due from banks		$ 4,966	$ 6,192
Federal funds sold - CoreStates	(Interest rate, 1996 - 5.625%; 1995 - 6.375%)	7,500	6,350
Total		$12,466	$12,542

4. INVESTMENT SECURITIES

A comparison of amortized cost and estimated fair value of investment securities is as follows:

<TABLE>
<CAPTION>

	Held to Maturity September 30, 1996			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. Government obligations	$ 26,366	$ 12	$ -	$ 26,378
Term and other deposits in the Federal Home Loan Bank	346	-	-	346
Total	$ 26,712	$ 12	$ -	$ 26,724

	Available for Sale September 30, 1996			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
U.S. Government obligations	$ 48,194	$ 143	$ -	$ 48,337

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	Held to Maturity September 30, 1995			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
U.S. Government obligations	$ 164,971	$ 682	$ 126	$ 165,527
Term and other deposits in the Federal Home Loan Bank	76,374	-	-	76,374
Total	$ 241,345	$ 682	$126	$ 241,901

</TABLE>

The amortized cost and estimated fair value of debt securities by contractual maturity at September 30, 1996 are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 74,906	$ 75,061
Due after one year through five years	-	-
	$ 74,906	$ 75,061

5. MORTGAGE-BACKED SECURITIES

Mortgage-backed securities at September 30, 1996 and 1995 consisted of the following:

<TABLE>
<CAPTION>

	Held to Maturity September 30, 1996			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
FNMA pass-through certificates	$ 29,082	$ -	$ 832	$ 28,250
GNMA pass-through certificates	115,903	5,718	63	121,558
FHLMC pass-through certificates	139,556	227	4,465	135,318
Private pass-through certificates (noninsured)	726	-	21	705
Total	$285,267	$ 5,945	$5,381	$285,831

	Available for Sale September 30, 1996			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
FNMA pass-through certificates	$ 12,043	$ 343	$ -	$ 12,386
GNMA pass-through certificates	15,509	220	-	15,729
FHLMC pass-through certificates	137,933	1,325	379	138,879
Total	$165,485	$ 1,888	$ 379	$166,994

	Held to Maturity September 30, 1995			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value

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FNMA pass-through certificates	$ 17,280	$ 491	$ -	$ 17,771
GNMA pass-through certificates	142,054	8,488	-	150,542
FHLMC pass-through certificates	151,549	2,925	-	154,474
Private pass-through certificates (noninsured)	870	-	27	843
Total	$311,753	$11,904	$ 27	$323,630

</TABLE>

6. LOANS RECEIVABLE

Loans receivable consist of the following:

	September 30, 1996	September 30, 1995
Mortgage loans (1-4 residential loans)	$164,717	$132,251
Construction loan	1,256	1,889
Loans on savings accounts	2,472	2,616
Commercial real estate loans	19,548	8,548
Consumer loans	813	125
Total	188,806	145,429
Less:		
Deferred loan fees	(1,572)	(982)
Allowance for loan losses	(1,024)	(994)
Loans in process	(1,179)	(1,672)
Total	$185,031	$141,781

At September 30, 1996 and 1995, the Company had outstanding commitments to purchase and originate fixed rate (ranging from 6.5% to 8.0%) mortgage loans totaling $6,554 and $5,049, respectively. All commitments are expected to be funded within 12 months. The Company uses the same credit policies in extending commitments as it does for loans.

The Company originates and purchases both adjustable and fixed interest rate loans and mortgage-backed securities. At September 30, 1996, the composition of these loans and mortgage-backed securities are $552,748 at fixed interest rates and $83,035 at adjustable interest rates.

The adjustable rate loans and mortgage-backed securities have interest rate adjustment limitations and are generally indexed to the one-year U.S. Treasury Note rate. Future market factors may affect the correlation of the interest rate adjustment with the rates the Association pays on the short-term deposits that have been primarily utilized to fund these loans.

Certain directors and executive officers of the Company have loans with the Company. Such loans were made in the ordinary course of business at the Company's normal credit terms, including interest rate and collateralization, and do not represent more than a normal risk of collection. Total loans to these individuals are summarized as follows:

	September 30, 1996	September 30, 1995
Balance, beginning of year	$ 216	$ 223
New loans made during year	3	-
Repayments	(7)	(7)
Balance, end of year	$ 212	$ 216

Most of the Company's activity is with customers located within the state of New Jersey; therefore, the Company is lending subject to a concentration of credit risk as it relates to this economic sector.

Changes in the allowance for loan losses were as follows:

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	Year Ended September 30,		
	1996	1995	1994
Balance, beginning of year	$ 994	$530	$ 1,669
Provision for loan losses	30	30	180
Charge-offs	-	-	(1,319)
Recoveries	-	434	-
Balance, end of year	$1,024	$994	$ 530

The provision for loan losses charged to expense is based upon past loan and loss experience and an evaluation of potential losses in the current loan and lease portfolio, including the evaluation of impaired loans under SFAS No. 114. A loan is considered to be impaired when, based upon current information and events, it is probable that the Association will be unable to collect all amounts due according to the contractual terms of the loan. An insignificant delay or insignificant shortfall in amounts of payments does not necessarily result in the loan being identified as impaired. For this purpose, delays less than 90 days are considered to be insignificant. SFAS No. 114 does not apply to large groups of smaller balance homogeneous loans that are collectively evaluated for impairment, except for those loans restructured under a troubled debt restructuring. At September 30, 1996, the Association has no loans considered impaired under SFAS No. 114.

Nonperforming loans (which include loans in excess of 90-day delinquency) at September 30, 1996, 1995 and 1994 amounted to approximately $827, $663 and $1,005, respectively. The reserve for delinquent interest on loans totaled $58, $49 and $49 at September 30, 1996, 1995 and 1994, respectively.

7. MORTGAGE BANKING ACTIVITIES

At September 30, 1996, 1995 and 1994, the Company was servicing loans for others amounting to approximately $1,718, $5,045 and $4,336, respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. Loan servicing income is recorded on the accrual basis and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees.

8. OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment at September 30, 1996 and 1995 are summarized as follows:

	1996	1995
Land and buildings	$ 9,009	$ 8,841
Furniture and equipment	1,990	1,947
Leasehold improvements	110	110
Total	11,109	10,898
Accumulated depreciation and amortization	(5,025)	(4,653)
Net	$ 6,084	$ 6,245

Rental expense under operating leases for certain branch offices amounted to $105, $92 and $98 for the years ended September 30, 1996, 1995 and 1994, respectively. The following is a summary of future minimum lease payments required under the leases:

Year Ending September 30,	Minimum Lease Payments
1997	$ 83
1998	66
1999	45
2000	30
2001	-
Total	$ 224

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9. DEPOSITS

The major types of savings deposits by weighted interest rates, amounts and the percentages of such types to total savings deposits at September 30, 1996 and 1995 were as follows:

<TABLE>
<CAPTION>

	1996			1995		
	Amount	Percentage of Total	Weighted Interest Rate	Amount	Percentage of Total	Weighted Interest Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances by interest rate:						
NOW accounts	$ 23,886	4.2 %	1.82 %	$ 22,909	4.1 %	2.07 %
Money market deposit accounts	70,023	12.2	2.86	74,933	13.3	3.16
Passbook and club accounts	59,323	10.4	2.74	62,950	11.1	2.99
			Interest Rate Range			Interest Rate Range
Certificates by maturity:						
Within 1 year	242,804	42.5 %	3.50 - 6.65	218,024	38.6	3.05 - 6.25
1 to 3 years	144,369	25.3	5.00 - 7.10	116,835	20.7	4.35 - 7.10
Beyond 3 years	30,600	5.3	5.25 - 9.00	68,877	12.1	5.00 - 9.00
Total certificates	417,773	73.1		403,736	71.4	
Accrued interest on savings	361	0.1		382	0.1	
Total deposits	$ 571,366	100.0 %		$ 564,910	100.0 %	

</TABLE>

A summary of interest expense on deposits is as follows:

	Year Ended September 30,		
	1996	1995	1994
NOW	$ 460	$ 492	$ 521
MMDA	2,113	2,586	2,941
Passbook and club	1,717	1,992	2,095
Certificates	22,463	19,954	20,117
Total	$26,753	$25,024	$25,674

10. ADVANCES FROM FEDERAL HOME LOAN BANK OF NEW YORK

Advances from the Federal Home Loan Bank of New York which are amortizing are as follows:

Due	Interest Rate	September 30, 1996
2001	5.918 %	$ 9,275
2003	6.164 %	9,517
		$ 18,792

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The advances are collateralized by Federal Home Loan Bank stock and substantially all first mortgage loans.

11. INCOME TAXES

The income tax provision consists of the following:

	1996	1995	1994
Current:			
Federal	$ 3,439	$ 4,888	$ 2,694
State	261	550	199
Total current	3,700	5,438	2,893
Deferred:			
Federal	(752)	(267)	(293)
State	(26)	(5)	(6)
Total deferred	(778)	(272)	(299)
Total income tax provision	$ 2,922	$ 5,166	$ 2,594

The Company's provision for income taxes differs from the amounts determined by applying the statutory federal income tax rate to income taxes for the following reasons:

<TABLE>

<CAPTION>

	1996		1995		1994	
	Amount	Percent	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tax at federal rate	$2,611	35.0%	$5,280	35.0%	$2,645	35.0%
Surtax exemption	(75)	(1.0)	(100)	(0.7)	(76)	(1.0)
State taxes	155	2.0	360	2.4	127	1.7
Other	231	3.0	(374)	(2.5)	(102)	(1.4)
Total	$2,922	39.0%	$5,166	34.2%	$2,594	34.3%

</TABLE>

Items that gave rise to significant portions of the deferred tax accounts, which are included in prepaid expenses and other assets at September 30, 1996 and 1995, are as follows:

	1996	1995
Deferred tax assets:		
SAIF special assessment	$ 1,258	$ -
Deferred loan fees	293	353
Deferred loan costs	9	38
Supplemental pension	514	235
Deferred compensation	-	360
Accrued interest expense on CDs	77	96
Deferred income	445	223
Other	93	269
Total	2,689	1,574
Deferred tax liabilities:		
Unrealized gain on investments	(596)	-
Allowance for loan loss	(753)	(296)
Depreciation on office property and equipment	(762)	(882)

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Total	(2,111)	(1,178)
Net deferred tax assets	$ 578	$ 396

The Company is permitted under the Internal Revenue Code (the "Code") to deduct an annual addition to the reserve for bad debts in determining taxable income, subject to certain limitations. The Company's deduction is based upon the percentage of taxable income method as defined by the Code. The bad debt deduction allowable under this method equals 8% of taxable income determined without regard to that deduction and with certain adjustments. This addition differs from the bad debt experience used for financing accounting purposes.

In August 1996, the Small Business Job Protection Act (the "Act") was signed into law. The Act repealed the percentage of taxable income method of accounting for bad debts for thrift institutions effective for years beginning after December 31, 1995. The Act required the Company as of October 1, 1996 to change its method of computing reserves for bad debts to the specific charge-off method. The bad debt deduction allowable under this method is available to large banks with assets greater than $500 million. Generally, this method will allow the Company to deduct an annual addition to the reserve for bad debts equal to the Association's charge-offs.

A thrift institution required to change its method of computing reserves for bad debts will treat such change as a change in a method of accounting determined solely with respect to the "applicable excess reserves" of the institution. The amount of the applicable excess reserves will be taken into account ratably over a six-taxable year period, beginning with the first taxable year beginning after December 31, 1995. The timing of this recapture may be delayed for a two-year period provided certain residential loan requirements are met. For financial reporting purposes, the Company will not incur any additional tax expense. Amounts which had previously been deferred will be reversed for financial reporting purposes and will be included in the income tax return of the Company, increasing income tax payable. At

September 30, 1996, under SFAS No. 109, deferred taxes totaling approximately $800 were provided relating to such difference.

12. REGULATORY CAPITAL REQUIREMENTS

The Association is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory--and possibly additional discretionary--actions by regulators that, if undertaken, could have a direct material effect on the Association's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Association must meet specific capital guidelines that involve quantitative measurers of the Association's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Association's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Association to maintain minimum amounts and ratios (set forth in the table below) of tangible and core capital (as defined in the regulations) to total adjusted assets (as defined), and of risk-based capital (as defined) to risk-weighted assets (as defined). Management believes, as of September 30, 1996, that the Association meets all capital adequacy requirements to which it is subject.

As of September 30, 1996, the most recent notification from the Office of Thrift Supervision categorized the Association as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Association must maintain minimum tangible, core and risk-based ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Association's category.

AT SEPTEMBER 30, 1996:

<TABLE>

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<CAPTION>

<S>	Actual Amount <C>	Actual Ratio <C>	Required for Capital Adequacy Purposes Amount <C>	Required for Capital Adequacy Purposes Ratio <C>	Well Capitalized Under Prompt Corrective Action Provisions Amount <C>	Well Capitalized Under Prompt Corrective Action Provisions Ratio <C>
Tangible	$143,239	19.31%	$11,126	1.5%	N/A	N/A
Core (Leverage)	143,239	19.31%	22,252	3.0%	37,086	5.0%
Tier 1 risk-based	143,239	73.11	7,837	4.0	11,756	6.0
Total risk-based	143,263	73.63	15,675	8.0	19,594	10.0

</TABLE>

AT SEPTEMBER 30, 1995:

<TABLE>

<CAPTION>

<S>	Actual Amount <C>	Actual Ratio <C>	Required for Capital Adequacy Purposes Amount <C>	Required for Capital Adequacy Purposes Ratio <C>	Well Capitalized Under Prompt Corrective Action Provisions Amount <C>	Well Capitalized Under Prompt Corrective Action Provisions Ratio <C>
Tangible	$124,015	17.90%	$10,390	1.5%	N/A	N/A
Leverage	124,015	17.90%	20,779	3.0%	41,558	5.0%
Tier 1 risk -based	124,015	78.30	6,332	4.0	9,498	6.0
Total risk-based	125,009	79.00	12,664	8.0	15,830	10.0

</TABLE>

13. PENSION PLAN

The Company terminated the defined benefit retirement plan effective September 1, 1996. Pending regulatory approval, the remaining net assets, if any, will be distributed to participants on a pro rata basis. Total pension expense for the year ending September 30, 1996 was $334.

The net periodic pension costs for the years ended September 30, 1995 and 1994 included the following components:

	1995	1994
Service cost, benefits earned during the year	$195	$ 185
Interest cost on projected benefit obligation	266	173
Actual return on plan assets	(226)	(220)
Amortization of unrecognized net assets and other deferred amounts, net	16	13
Net periodic pension cost	$251	$ 151

The following table sets forth the plan's funded status as of September 30, 1995:

	1995
Actuarial present value of benefit obligation (including vested benefit obligation $3,087)	$3,151
Projected benefit obligation	$3,996
Market value of plan assets	3,554
Plan assets less than projected benefit obligation	(442)

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Unrecognized net loss	839
Unrecognized net transition obligation being amortized over fifteen years	75
Net pension asset	$ 472

In determining the projected benefit obligation, the assumed discount rate for each of the two years ended September 30, 1995 was 7.5%. The weighted average rate of increase in compensation was 5%. The expected long-term rate of return on assets used in determining net periodic pension cost was 7.5%.

The Company also terminated a Supplemental Executive Retirement Plan effective September 1, 1996. Total expense for the year ending September 30, 1996 was $824.

14. EMPLOYEE STOCK OWNERSHIP PLAN AND RECOGNITION AND RETENTION PLAN

In connection with the Conversion, the Company established an ESOP for the benefit of eligible employees. The Company purchased 928,777 shares (1,021,654 shares restated for the stock dividend issued in March 1996) of common stock on behalf of the ESOP in the Conversion. At September 30, 1996 and 1995, 77,994 and 78,657 shares of the total ESOP shares were committed to be released with 142,408 and 23,219 shares allocated to participants, respectively. The Company accounts for its ESOP in accordance with Statement of Position 93-6, EMPLOYERS' ACCOUNTING FOR EMPLOYEE STOCK OWNERSHIP PLANS, which requires the Company to recognize compensation expense equal to the fair value of the ESOP shares during the periods in which they become committed to be released. To the extent that the fair value of the ESOP shares differs from the cost of such shares, this differential will be charged or credited to equity as additional paid-in capital. During 1996 and 1995, the differential aggregated $388 and $197, respectively. Management expects the recorded amount of expense to fluctuate as continuing adjustments are made to reflect changes in the fair value of the ESOP shares. Employers with internally leveraged ESOP's, such as the Company, do not report the loan receivable from the ESOP as an asset, and do not report the ESOP debt from the employer as a liability. The Company recorded compensation and employee benefit expense related to the ESOP of $1,901 and $1,345, respectively for the years ended September 30, 1996 and 1995.

At the Company's annual meeting of stockholders held on January 19, 1995, the Recognition and Retention Plan and Trust (the "MRP") was approved by the Company's stockholders. The MRP purchased 510,827 shares in the open market at an aggregate cost of $6,085 and all shares available under the MRP have been awarded to the Company's Board of Directors and the Association's executive officers and other key employees.

At September 30, 1996 and 1995, respectively, the net deferred cost of the unearned MRP shares amounted to $4,891 and $5,213 and is recorded as a charge against stockholders' equity. Compensation expense will be recognized over the five year vesting period for shares awarded. The Company recorded compensation and employee benefit expense related to the MRP of $1,194 and $872 for the years ended September 30, 1996 and 1995, respectively.

15. STOCK OPTION PLAN

The Company has a stock option plan which was established and approved by the stockholders at the annual stockholders' meeting held on January 19, 1995. The 1995 Plan is for executive officers and selected full-time employees and directors.

Under this plan, compensatory options were granted to non-employee directors and incentive options were granted to selected officers and employees. The option price per share for options granted may not be less than the fair market value of the common stock on the date of grant.

The compensatory options are exercisable six months after issuance in increments of 85% with 7.5% exercisable in each of the two years thereafter. The incentive options are exercisable one year after issuance in increments of 20% a year. All options expire in 10 years.

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A summary of transactions under the Plan at September 30, 1996 and 1995 follows. All amounts are restated for the stock dividend issued in March 1996.

<TABLE>

<CAPTION>

	September 30, 1996					September 30, 1995			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Exercise price	$ 9.432	$12.955	$13.864	$14.500	Total	$9.432	$12.955	$13.864	Total
Outstanding, beginning of year	1,119,656	24,750	28,736	-	1,173,142	-	--	-	-
Options:									
Granted	-	-	-	2,000	2,000	1,119,656	24,750	28,736	1,173,142
Exercised	(7,547)	-	-	-	(7,547)	-	-	-	-
Forfeited	-	-	-	-	-	-	-	-	-
Outstanding, end of year	1,112,109	24,750	28,736	2,000	1,167,595	1,119,656	24,750	28,736	1,173,142
Options exercisable	478,702	4,950	28,736	-	512,388	325,644	-	-	325,644

</TABLE>

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

<TABLE>

<CAPTION>

	September 30, 1996		September 30, 1995	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Assets:				
Cash and cash equivalents	$ 12,466	$ 12,466	$ 12,542	$ 12,542
Investment securities held to maturity	26,712	26,724	241,345	241,901
Investment securities available for sale	48,337	48,337	-	-
Mortgage-backed securities held to maturity	285,267	285,831	311,753	323,630
Mortgage-backed securities available for sale	166,994	166,994	-	-
Loans receivable, net	185,031	188,799	141,781	142,978
Federal Home Loan Bank stock	4,590	4,590	3,672	3,672

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Liabilities:				
NOW accounts	23,886	23,886	22,909	22,909
Money market deposit accounts	70,023	70,023	74,933	74,933
Passbook and club accounts	59,323	59,323	62,950	62,950
Savings certificates	417,773	410,192	403,736	400,434
Advances from FHLB	18,792	18,792		
Off-balance sheet commitments	-	6,554	-	5,049

</TABLE>

CASH AND CASH EQUIVALENTS - For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value.

INVESTMENTS AND MORTGAGE-BACKED SECURITIES - The fair value of investment securities and mortgage-backed securities is based on quoted market prices, dealer quotes, and prices obtained from independent pricing services.

LOAN RECEIVABLE - The fair value of loans is estimated based on present value using approximately current entry-value interest rates applicable to each category of such financial instruments.

FEDERAL HOME LOAN BANK STOCK - Although FHLB stock is an equity interest in an FHLB, it is carried at cost because it does not have a readily determinable fair value and it lacks a market.

NOW ACCOUNTS, MONEY MARKET DEPOSIT ACCOUNTS, PASSBOOK AND CLUB ACCOUNTS AND SAVINGS CERTIFICATES - The fair value of NOW accounts, Money Market Deposit accounts and passbook and club accounts is the amount reported in the consolidated financial statements. The fair value of savings certificates is based on a present value estimate using rates currently offered for deposits of similar remaining maturity.

ADVANCES FROM FEDERAL HOME LOAN BANK - The fair value is the amount payable on demand at the reporting date.

OFF-BALANCE SHEET COMMITMENTS - For commitments expiring within 90 days or with a variable rate, the settlement amount is a reasonable estimate of fair value. For commitments expiring beyond 90 days or with a fixed rate, the fair value is the present value of the fees based on current loan rates.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 1996 and 1995. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

17. STOCK CONVERSION

On October 13, 1994, the Association completed its Conversion from a New Jersey chartered mutual savings and loan association to a New Jersey chartered stock savings and loan association through the sale of 11,609,723 shares of common stock (par value $.01) of IBS Financial Corp., a New Jersey corporation organized in June 1994 by the Association for the purpose of acquiring all of the capital stock of the Association upon consummation of the Conversion. Total proceeds of $116,097 were reduced by Conversion expenses of approximately $2,919 and the excess of proceeds over the par value of the stock was credited to paid-in capital in excess of par. As a result of this Conversion, $56,600 of additional capital was contributed to the Association from this newly formed holding company in exchange for all of the outstanding capital stock of the Association.

At the time of the Conversion, the Association established a liquidation account in an amount equal to the Association's net worth as reflected in the latest consolidated statement of financial condition of the Association contained in the offering circular utilized in the Conversion. The function of the liquidation account is to establish a priority on liquidation and, except with respect to the payment of cash dividends on, or the repurchase of, any of the common stock by the Association, the existence of the liquidation account will not operate to restrict the use or application of any of the net worth accounts of the

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Association. In the event of a complete liquidation of the Association (and only in such event), each eligible account holder will be entitled to receive a pro rata distribution from the liquidation account, based on such holder's proportionate amount of the total current adjusted balance from deposit accounts then held by all eligible account holders, before any liquidation distribution may be made with respect to stockholders.

18. SAVINGS ASSOCIATION INSURANCE FUND ASSESSMENT

On September 30, 1996, an omnibus appropriations bill for fiscal year 1997, which includes the recapitalization of the Savings Association Insurance Fund (SAIF) became law. Accordingly, all SAIF insured depository institutions will be charged a one-time special assessment on their SAIF-accessible deposits as of March 31, 1995 at the rate of 65.7 basis points, payable on November 27, 1996. The Bank accrued $3,700 for this special assessment at September 30, 1996.

19. PARENT COMPANY FINANCIAL INFORMATION

The financial statements of IBS Financial Corp. (Parent only) as of and for the periods ended September 30,1996 and 1995 are presented below:

STATEMENT OF FINANCIAL CONDITION
SEPTEMBER 30, 1996 AND 1995
(Dollars in Thousands)

<TABLE>
<CAPTION>

ASSETS	1996	1995
<S>	<C>	<C>
Cash	$ 122	$ 74
Investment in subsidiary	144,242	124,018
Investment securities held to maturity	354	34,000
Other assets	5	702
TOTAL ASSETS	$144,723	$158,794
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES - Accrued expenses and other liabilities	$ 439	$ 745
STOCKHOLDERS' EQUITY:		
Common stock	116	116
Additional paid-in capital	113,432	113,259
Common stock acquired by ESOP and MRP	(11,097)	(13,438)
Treasury stock	(12,104)	(7,751)
Retained earnings	53,937	65,863
Total stockholders' equity	144,284	158,049
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$144,723	$158,794

</TABLE>

STATEMENT OF INCOME
PERIODS ENDED SEPTEMBER 30, 1996 and 1995
(Dollars in Thousands)

<TABLE>
<CAPTION>

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	1996	1995
Interest income:		
Interest on ESOP loan	$ 701	$ 746
Interest and dividends on investments	1,109	2,762
Total interest income	1,810	3,508
Other operating income	-	29
Other expenses:		
Management fee	980	1,132
Salaries and employee benefits	24	-
Professional services	451	139
Other operating expenses	350	224
Total other expenses	1,805	1,495
Income before income taxes and equity in undistributed earnings of subsidiaries	5	2,042
Income taxes	(6)	827
Income before equity in undistributed earnings of subsidiaries	11	1,215
Equity in undistributed earnings of subsidiaries	4,526	8,705
Net income	$4,537	$9,920

</TABLE>

STATEMENT OF CASH FLOWS
PERIODS ENDED SEPTEMBER 30, 1996 and 1995
(Dollars in Thousands)

<TABLE>
<CAPTION>

	1996	1995
Operating activities:		
Net income	$ 4,537	$ 9,920
Changes in assets and liabilities which provided (used) cash:		
Other assets	697	(702)
Accrued expenses and other liabilities	(306)	745
Equity in undistributed earnings of subsidiaries	(4,526)	(8,705)
Net cash provided by operating activities	402	1,258
Investing activities:		
Proceeds from maturity of investments	18,993	-
Purchase of investments	-	(34,000)
Investment in subsidiary	-	(57,719)
Net cash provided by (used in) investing activities	18,993	(91,719)
Financial activities:		
Cash dividends paid	(2,317)	(1,651)
Payments on ESOP debt, net	1,535	1,260
Treasury stock acquired	(19,830)	(7,751)

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Amortization of MRP shares	1,194	-
Stock options exercised	71	-
Proceeds from the sale of stock, net of ESOP shares acquired	-	103,890
Unearned MRP shares acquired, net	-	5,213
Net cash (used in) provided by financing activities	(19,347)	90,535
Increase in cash and cash equivalents	48	74
Cash and cash equivalents, beginning of period	74	-
Cash and cash equivalents, end of period	$ 122	$ 74
Supplemental noncash investing activity:		
Transfer of investment securities to subsidiaries	$ 12,100	$ -

</TABLE>

20. SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents summarized quarterly data for each of the last two years:

<TABLE>
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	Three Months Ended							
	Sept. 30 1996	June 30 1996	Mar. 31 1996	Dec. 31 1995	Sept. 30 1995	June 30 1995	Mar. 31 1995	Dec. 31 1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income	$13,113	$13,090	$12,847	$13,102	$13,073	$13,355	$12,905	$12,359
Interest expense	6,930	6,896	6,750	6,843	6,649	6,426	6,044	5,905
Net interest income	6,183	6,194	6,097	6,259	6,424	6,929	6,861	6,454
Provision for loan losses	10	10	10	-	10	10	10	-
Other operating income	151	247	154	135	141	138	123	261
Other expenses	7,601	3,407	3,299	3,624	3,288	3,360	2,990	2,577
Income before income taxes	(1,277)	3,024	2,942	2,770	3,267	3,697	3,984	4,138
Income taxes	(413)	1,174	1,133	1,028	951	1,452	1,366	1,397
Net income	$ (864)	$ 1,850	$ 1,809	$ 1,742	$ 2,316	$ 2,245	$ 2,618	$ 2,741
Earnings per share	$ (0.08)	$ 0.18	$ 0.17	$ 0.16	$ 0.21	$ 0.20	$ 0.22	$ 0.21
Dividends per share	$ 0.060	$ 0.060	$ 0.060	$ 0.054	$ 0.045	$ 0.045	$ -	$ 0.045

Earnings per share is computed independently for each of the quarters presented. Consequently, the sum of quarters may not equal the earnings per share.

Prices of common stock:								
High	$ 15.13	$ 14.50	$ 14.88	$ 15.45	$ 15.57	$ 12.73	$ 11.25	$ 9.55
Low	12.63	12.50	13.30	13.18	12.39	10.91	8.88	8.18

</TABLE>

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IBS FINANCIAL CORP.
SELECTED CONSOLIDATED FINANCIAL DATA

<TABLE>
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	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) AS OF OR FOR THE YEAR ENDED SEPTEMBER 30,					
	1996	1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>
FINANCIAL CONDITION:						
Total assets	$742,051	726,536	663,866	665,933	652,614	626,075
Loans	185,031	141,781	140,618	157,030	185,188	199,027
Investments	26,712	241,345	289,495	238,138	205,916	99,430
Mortgage-backed securities	285,267	311,753	182,891	134,677	217,041	279,186
Cash and equivalents	12,466	12,542	32,586	119,014	24,392	30,912
Deposits	571,366	564,910	603,080	609,805	603,722	583,292
Stockholders' equity	144,284	158,049	57,594	52,631	44,579	37,954
Nonperforming assets (1)	827	663	1,005	5,478	8,495	8,751
Full service offices	8	8	8	8	8	8
OPERATIONS:						
Total interest income	$ 52,152	51,692	41,525	47,458	53,451	55,921
Total interest expense	27,419	25,024	25,674	28,093	34,916	42,851
Net interest income	24,733	26,668	15,851	19,365	18,535	13,070
Provision for loan losses	30	30	180	431	1,077	337
Other operating income	687	663	901	1,663	928	500
Operating expenses	14,231	12,215	9,015	8,738	8,342	8,387
Special SAIF assessment (2)	3,700	0	0	0	0	0
Income before taxes	7,459	15,086	7,557	11,859	10,045	4,846
Income taxes	2,922	5,166	2,594	3,807	3,527	1,676
Net income	$ 4,537	9,920	4,963	8,052	6,518	3,169
PER COMMON SHARE:						
Net income	$ 0.43(2)	0.84	N/A	N/A	N/A	N/A
Cash dividends	0.234	0.135	N/A	N/A	N/A	N/A
OPERATING RATIOS (3):						
Average yield earned on interest-earning assets	7.25%	7.30%	6.36%	7.29%	8.52%	9.33%
Average rate paid on interest-bearing liabilities	4.70%	4.39%	4.20%	4.60%	5.86%	7.47%
Average interest rate spread (4)	2.55%	2.91%	2.16%	2.69%	2.66%	1.86%
Net interest margin	3.44%	3.77%	2.43%	2.98%	2.96%	2.18%
Ratio of interest-earning assets to interest-bearing liabilities	123.38%	124.27%	106.74%	106.62%	102.30%	105.24%
Net interest income to operating expenses	173.80%	218.32%	175.83%	221.64%	222.19%	155.84%
Operating expenses as a percent of average assets	1.92%	1.68%	1.34%	1.32%	1.30%	1.37%
Return on average assets	0.61%(2)	1.36%	0.74%	1.21%	1.02%	0.52%
Return on average equity	2.98%(2)	6.37%	8.98%	16.33%	15.58%	8.76%
Ratio of average equity to average assets	20.53%	21.18%	8.24%	7.43%	6.52%	5.90%
Dividend payout ratio	51.07%	17.06%	N/A	N/A	N/A	N/A
ASSET QUALITY RATIOS:						
Nonperforming loans and troubled debt restructurings as a percent of total loans	0.45%	0.47%	3.62%	3.49%	4.59%	4.40%
Nonperforming assets and troubled debt restructurings as a percent of total assets	0.11%	0.09%	0.77%	0.82%	1.30%	1.40%
Allowance for loan losses as a percent of total loans	0.55%	0.70%	0.38%	1.06%	0.67%	0.75%
Allowance for loan losses as a percent of nonperforming loans	123.8%	149.9%	52.7%	30.5%	17.9%	17.1%
Charge-offs to average loans receivable outstanding during the period	--	--	0.89%	--	0.68%	--

</TABLE>

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(1) Nonperforming assets consist of nonperforming loans, troubled debt restructurings and real estate owned ("REO"). Nonperforming loans consist of nonaccrual loans and accruing loans 90 days or more overdue, while REO consists of real estate acquired through foreclosure and real estate acquired by acceptance of a deed-in lieu of foreclosure.

(2) Without giving effect to the special SAIF assessment, net income per share would have been $.66 and return on average assets and return on average equity would have been .94% and 4.56%, respectively. See Note 18 of Notes to the Consolidated Financial Statements.

(3) Asset Quality Ratios are end of period ratios, except for charge-offs to average loans. With the exception of end of period

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ratios, all ratios are based on monthly balances during the indicated periods.

(4) Interest rate spread represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities, and net interest margin represents net interest income as a percent of average interest-earning assets.

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