

STEWARDSHIP FINANCIAL CORPORATION

WHISTLEBLOWER POLICY

(as revised through December 13, 2011)

Stewardship Financial Corporation (“SFC”) is committed to complying with and requires its employees and its officers, directors and other persons acting on its behalf to comply with all applicable legal and regulatory requirements. It is the policy of SFC and all of its subsidiaries to encourage support and cooperation of its employees and such other persons to disclose improper activities, and to address written complaints that allege acts or attempted acts of interference, reprisal, retaliation, threats, coercion or intimidation against employees who disclose improper activities. SFC management has the responsibility to seek out and correct any and all abuses resulting from improper governmental activities, and to protect those who come forward to report improper governmental activities.

To assure the reporting of any activity that threatens fundamental fairness, all reports that disclose improper activities shall be kept confidential. Reports should be submitted to the Human Resource Officer, or the President and Chief Executive Officer, or as hereinafter detailed in Section II.A.3., Corporate Legal Counsel, or in the event the complaint pertains to accounting or audit matters, directly to the Audit Committee of the Board of Directors.

The financial matters of SFC are expected to be fairly and accurately reported and in compliance with all applicable securities laws and regulations, accounting standards and controls and audit practices and standards. SFC’s internal controls and operating procedures are intended to prevent, deter and remedy any violation of applicable laws and regulations particularly those relating to accounting, internal accounting controls and auditing matters. However, even the best systems of control cannot provide absolute protection against violations. SFC has an obligation to investigate and report to appropriate governmental authorities, as required, any violations of applicable legal and regulatory requirements relating to accounting, internal accounting controls and auditing matters and the actions taken by SFC to remedy such violations.

The N.J. Conscientious Employee Protection Act (N.J.S.A 34:19-1 et seq.), the U.S. Sarbanes-Oxley Act of 2002 (Pub. L. No. 107-204, 116 Stat. 745) and Section 21F of the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) and the rules promulgated thereunder (collectively, the “Protective Laws”) provide protection from retaliatory action to employees who seek to assert their rights or to report a potential or actual violation of law under a variety of statutes. In addition, Section 21F of the Securities Exchange Act of 1934, as amended, establishes a whistleblower program pursuant to which the Securities and Exchange Commission (the “SEC”) will pay awards to eligible whistleblowers who voluntarily provide the SEC with original information about a violation of federal securities laws if the information leads to a successful enforcement action by the SEC, other federal or state agency or regulatory authority or self-regulatory organization and results in monetary sanctions exceeding \$1 million; in such cases the information provided to the SEC must be based on the whistleblower’s independent knowledge not derived from public sources.

I. DEFINITIONS

A. Definitions Used in this Whistleblower Policy

To assist in the understanding of this policy, the following terms shall be defined as follows:

1. “Any person” includes classified, certified, and unclassified Associate of SFC.
2. “Associate” includes an SFC employee, officer and/or director.
3. “Board” means SFC and all of its subsidiaries’ Boards of Directors and/or the Audit Committees and/or any other Committee of any subsidiary corporation.
4. “Complaint” means the written complaint alleging actual or attempted acts of reprisal, retaliation, threats, coercion, intimidation, interference, or similar improper acts that are submitted under penalty of perjury.
5. “Disciplinary action” means any direct form of discipline as defined in personnel rules and regulations adopted by SFC. “Disciplinary action” shall include the firing of an Associate.
6. “Improper activity” is defined as any activity by an SFC department or Associate that is undertaken in the performance of the Associate’s official duties, whether or not such action is within the scope of his or her employment or by an individual or company conducting or performing work for SFC and which is:
 - a. in violation of any state or federal law or regulation, including, but not limited to, corruption, malfeasance, bribery, theft of SFC property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, discrimination, misuse of SFC property and facilities, or willful omission to perform a duty, or
 - b. in violation of any SFC policy, procedure, rule or regulation established by the Board or a Committee of the Board, or
 - c. is economically wasteful, or involves gross misconduct, incompetence, or inefficiency, or
 - d. is a substantial and specific danger to public health or safety.
7. “Legal Counsel” means SFC’s Legal Counsel as identified in the SFC annual report.

8. “Protected disclosure” means a good faith communication that discloses or demonstrates an intention to disclose information that may evidence either of the following:
 - a. An improper activity; or
 - b. Any condition that may significantly threaten the health or safety of Associates or the public if the disclosure or intention to disclose was made for the purpose of remedying that condition.
9. “Report” means an oral or written protected disclosure or information as defined above.
10. “Use of official authority or influence” includes promising to confer, or conferring, any benefit; effecting, or threatening to effect, or taking, or directing others to take, or recommending, processing, or approving, any personnel action, including, but not limited to, appointment, promotion, transfer, performance, demotion, evaluation, suspension, or other disciplinary action.

If there is any conflict between the provisions of this policy, including definitions, or those used in a Protective Law, the applicable Protective Law provisions shall control.

II. REPORTING IMPROPER ACTIVITIES

A. Where to Report Improper Activities

Reports that disclose information concerning improper activities shall be submitted as follows:

1. Associates should provide information to their immediate Supervisor or the information shall be provided directly to the Human Resources Officer. If the alleged improper activity relates to a possible violation of federal securities laws, the whistleblower is not required to report wrongdoing internally before reporting to the SEC through SFC and the SEC’s rules encourage internal reporting when appropriate such that, for example, voluntary participation in an internal compliance and reporting system is a factor that weighs in favor of an increase in the amount of the whistleblower’s award.
2. If the President and Chief Executive Officer, and/or the Board of Directors, and/or the Audit Committee or any other Committee of SFC and/or any of its subsidiaries, is the subject of the information, the Supervisor receiving the information shall submit it directly to Corporate Legal Council, McCarter & English, LLP, Attention: Michael M. Horn; Esq., Four Gateway Center, 100 Mulberry Street, Newark, New Jersey, 07102, 973-622-4444.

3. In the event that the complaint has to do with a concern about an accounting or audit matter, complaints (including as much factual data as reasonably possible) must be made by telephone or mailed directly to Howard Yeaton, Chairman, Audit Committee of the Board of Directors, Atlantic Stewardship Bank, 630 Godwin Avenue, Midland Park, New Jersey, 07432, 201-652-1555.
4. The Audit Committee shall monitor complaints and the treatment of Associates making complaints regarding the following:
 - a. Fraud or deliberate error in the preparation of financial statements, recording or maintaining records of SFC, deviation from full or fair reporting, or internal accounting controls.
 - b. Misrepresentation or false statements by a senior officer or accountant regarding financial records, reports or audit reports.
 - c. Misappropriation of company funds.
5. Response to Complaints
 - a. Any communication concerning an alleged violation of law received by the Chairman of the Audit Committee shall be copied to all Committee Members. A copy of the communication will be kept on file along with the response to the Associate.
 - b. The Audit Committee or General Counsel or a Senior Vice President will determine if the complaint pertains to accounting or audit matters and which matters will be supervised by the Audit Committee.
 - c. At all times the complaint must be treated in a confidential manner.
 - d. SFC will not discharge, suspend, demote, or threaten the Associate based on the complaint/report of concerns. This log shall be kept separate from the files of SFC's accounting department.
 - e. Submission of accounting and audit concerns by SFC Associates cannot be filed for the sole purpose of harassing another SFC Associate.
 - f. Complaints regarding non-accounting matters will be handled as outlined elsewhere in Section III.

B. Procedure for Investigating Reports of Improper Activities

Reports alleging improper activity will be investigated, if warranted, and reported according to procedures established by SFC.

III. PROTECTION FROM ACTUAL OR ATTEMPTED ACTS OF INTERFERENCE, INTIMIDATION, REPRISAL, RETALIATION, THREATS AND COERCION FOR REPORTING IMPROPER ACTIVITIES

A. Reprisal, Retaliation, Threats, Coercion, Intimidation or Interference with the Right to Report Information of Improper Activities Prohibited

1. A SFC Associate may not directly or indirectly use or attempt to use the official authority or influence of his or her position or office to interfere with the right of a person to provide information relating to an alleged improper activity, or intentionally engage in acts of reprisal, retaliation, intimidation, coercion or similar acts against a person as a result of his or her providing, or attempting to provide, such information relating to an alleged improper activity or refusing to obey an illegal order.
2. SFC shall not discharge, demote, suspend, threaten, harass, harm, directly or indirectly, or in any other manner discriminate against any Associate in the terms and conditions of employment because the Associate participates in lawful protected conduct that is designated to expose or assist with the investigation of federal fraud or other violations including the provision of information to the SEC.

B. Filing a Written Complaint

1. When information has been provided under the procedures of Section II.A. and the complainant becomes the subject of an actual or attempted reprisal, retaliation, interference, intimidation, coercion or threats, a complaint shall be filed directly with an immediate Supervisor, except as provided in Section III.B.2 below. The Supervisor shall be responsible for submitting the complaint to the Human Resources Officer with a memorandum from the Supervisor.
2. When information has been provided under the procedures of Section II.A. and the complainant becomes the subject of actual or attempted interference or retaliation, reprisal, intimidation, coercion or threats, a complaint shall be filed directly with the Human Resources Officer or the President and Chief Executive Officer if the Associate does not wish to file the complaint with an immediate Supervisor because the disclosure of improper activity or complaint of reprisal action involves allegations against the Supervisor.
3. Any complaint filed with SFC should be filed within 12 months of the alleged act or threat of interference or retaliation.

4. In order for a complaint of actual or attempted acts of interference, intimidation, reprisal, retaliation, threats or coercion to be accepted by SFC, the complainant must have previously provided information, as described in Section II.A. pursuant to the procedures in Section II, with the immediate Supervisor, Human Resources Officer or President and Chief Executive Officer.
5. An exception shall be made where the complainant presents a preponderance of evidence that the complainant was prevented from providing information by intimidation or interference. A preponderance of evidence means that it is more likely than not that the intimidation or interference has occurred. The Human Resources Officer determines if the evidence is sufficient in his or her sole discretion.
6. A complaint of actual or attempted acts of interference, reprisal, retaliation, intimidation, coercion, threats or similar improper acts may also be filed with an appropriate law enforcement agency or federal or state court of competent jurisdiction under the applicable Protective Law.

C. Investigation of Complaints by the Human Resources Officer

1. The Human Resources Officer shall determine issues of timeliness and, where warranted, investigate complaints from any person alleging actual or attempted acts of reprisal, interference, intimidation, retaliation, coercion or similar acts.
2. When a complaint is filed with the Human Resources Officer, the investigation and findings shall be limited to the interference, reprisal or retaliation aspect of the complaint only.
3. Before final findings are made, the Human Resources Officer will provide a copy of the complaint and any documents upon which the Human Resources Officer intends to rely in reaching findings to the person accused of interference, intimidation, reprisal, retaliation, threats or coercion. That person will be provided the opportunity to respond to the complaint and to file a written statement, which will become part of the record submitted to the President and Chief Executive Officer.
4. The Human Resources Officer will present findings to the President and Chief Executive Officer within a reasonable time, or within such specific time limits as may be agreed to by the Board.
5. If, for any reason the Human Resources Officer's activities with respect to a complaint are terminated before findings are sent to the President and Chief Executive Officer, the complaint will be sealed and will be released only to the Human Resources Officer or President and Chief Executive Officer or Board or as required by law.

6. If the report alleges that the Human Resources Officer or the President and Chief Executive Officer interfered or engaged in retaliatory action, the Human Resources Officer shall not investigate the report. The file shall be directly provided to the Chairman of the Board who shall investigate the matter or designate someone to investigate the alleged retaliation.

D. Decision

1. The Human Resources Officer, or if applicable, another party, shall present findings of the investigation to the President and Chief Executive Officer, who shall reach a decision regarding the complaint and shall communicate that decision to the complainant and to the person or persons accused of violating Section III.A. of this Policy. The decision will include any appropriate relief for the complainant but will not describe any disciplinary action that may be taken against the accused party or parties. The provisions of the applicable Protective Law shall govern the decision.
2. If the complaint alleges that the Human Resources Officer or the President and Chief Executive Officer interfered or engaged in retaliatory action, the complaint of retaliation shall be presented to the Legal Counsel, who will take the administrative actions described for the President and Chief Executive Officer.

E. Discipline of a SFC Associate

Subject to existing and applicable SFC personnel program policies and SFC agreements and procedures established by the Human Resources Department, the President and Chief Executive Officer will determine the appropriate disciplinary action, if any, to be initiated against a SFC Associate found to have taken reprisal actions, interfered or retaliated, as defined in Section III.A.

F. Appeal of the Decision

Decisions of the President and Chief Executive Officer based on findings of the Human Resources Officer and, if applicable, Legal Counsel, may be appealed to the SFC Board of Directors pursuant to applicable SFC personnel program policies established by the Human Resources Department.

G. Quarterly Report

The President and Chief Executive Officer shall submit a Quarterly Report of actions taken under this policy to the Board of Directors. The report should include complaints received and acted on during the fiscal quarter.

IV. “NO EMPLOYMENT CONTRACT”

Nothing contained herein shall be construed as limiting SFC’s right to terminate an Associate for any reason or to provide any guarantee to continued employment or constitute an employment contract between SFC and any Associate.