ESM BANCSHARES, INC.

2022 ANNUAL REPORT

Welcome to Empire State Bank

As we reflect on our achievements over the past year, we're filled with a sense of pride and accomplishment, and the potential for growth and success is limitless. In 2022, despite the challenges of a unique business environment, Empire State Bank delivered a strong financial performance, building on the success achieved in 2021. Throughout the year, we effectively managed deposit pricing and funding mix, maintaining discipline in expenses, and demonstrating our commitment to building value for shareholders. Our commitment to disciplined execution, our personal banking model, and our value proposition which have all positioned us well for long-term success.

Empire State Bank's success in 2022 was achieved through a customer-centric approach that deepened relationships with our existing customers and expanded our reach in our markets. Trust in our ability to understand the financial goals of businesses, individuals, and communities has been integral to our success. We are committed to fulfilling our mission of offering personalized service, innovative products, and cutting-edge technology to support our communities, recognizing that everyone in our network deserves the chance to thrive. Despite the pandemic, we achieved outstanding business and financial results throughout the year, building on the equally impressive outcomes we had achieved leading up to the pandemic. This report provides further detail on how Empire State Bank delivered on its promise to help our communities thrive in the past year.

Andrew G. Finkelstein, Chairman; Philip Guarnieri, Chief Executive Officer; Thomas Sperzel, President and Chief Operating Officer; Walter Daszkowski, Vice Chairman

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About Empire State Bank

In 2004, Empire State Bank was founded by a group of banking professionals and entrepreneurs who shared a common vision of establishing a new kind of bank that would address the evolving needs of the local communities. Leveraging their extensive financial expertise and deep understanding of the local communities, they set out to establish a financial institution that would combine these two critical aspects and provide a superior banking experience to their clients. Their vision was to establish a financial institution that offers customers high-quality personalized banking services, innovative financial products, and competitive rates. Since its inception, Empire State Bank has been committed to providing a full range of deposit and loan products designed to cater to the unique needs of both individuals and businesses. The Bank has achieved steady growth since its establishment and remains dedicated to enhancing its product offerings and online banking capabilities. Additionally, it aims to launch an extensive community involvement initiative that focuses on engaging with consumers and businesses throughout the regions it serves. As a community-oriented bank, Empire State Bank is committed to fostering long-lasting relationships built on trust, integrity, and exceptional service. It places a strong emphasis on giving back and supporting the communities it serves through sponsorships, charitable donations, and local events. The bank looks forward to continuing its positive momentum and expanding its services to meet the evolving financial needs of its customers and the community.

Our Mission

At Empire State Bank, we are dedicated to being a community-oriented bank and “We Take Your Business Personally.” We offer a full range of deposit and lending products for both businesses and consumers, all of which are tailored to meet each customer's specific financial needs. Our experienced banking professionals are committed to providing personalized service, in-depth knowledge, and expertise, all with a personal touch aimed at helping your business succeed and prosper. Whether you need a business loan, a checking account, or any other banking service, we are here to help you every step of the way. At Empire State Bank, we pride ourselves on being a trusted partner and advisor to our customers. We take the time to get to know our customers, understand their financial goals, and develop customized solutions that meet their unique needs. We are committed to building long-lasting relationships based on trust, integrity, and exceptional service.

As a community bank, our mission is to serve the needs of our local community by providing exceptional personalized banking services tailored to meet the unique needs of our customers. We believe in the power of personal relationships and strive to provide our customers with a level of personalized service that is unmatched in the industry.

We are passionate about giving back to the communities we serve. We support local charities, organizations, and events that make a positive impact on the lives of our customers and their neighbors. We offer a full range of banking services, including personal and business accounts, Attorney and Law Firm Banking, Business Financing, and the latest banking technology. We pride ourselves on being responsive to our customers' needs, offering flexible solutions that are designed to help them achieve their financial goals.

March 31, 2023

Dear Shareholder,

We are pleased to present the 2022 Annual Report to Shareholders of ES Bancshares, Inc. This was an exciting year for the Company as we continued execution of our strategic plan to focus our retail presence in the metropolitan New York market. Amongst other things, we closed on the sale of the Newburgh, NY Banking Center and relocated our corporate headquarters to our "state of the art" facility in Staten Island, NY.

2022 was a record year for the Company in terms of earnings. This was achieved by continuing to execute on our plan and bringing our traditional core products and customer service to the markets we serve. The sale of the Newburgh Banking Center required the delivery of approximately $65 million in deposits to the purchasing bank. Despite this, deposits still grew by $16 million from last year. That translates to deposit growth of approximately $81 million excluding the sale transaction. This contributed to the balance sheet growth we experienced, including loan growth of $64 million, which produced strong earnings performance.

The Company also significantly improved its delivery channels for its digital products and presence. A complete core platform conversion was undertaken in the interest of providing more innovative and modern mobile and online banking solutions for both our business and personal customers. Doing so is a major step in strengthening our positioning to be able to compete with much larger competitors which are prevalent in our markets. This was a major effort and we appreciate the diligent work of our employees as well as our customers that worked with us through the process.

One major initiative we have always been committed to is the generation of core checking accounts. In a year where interest rates have moved in a manner that has put pressure on bank net interest margins this has proven to be a measure that has mitigated much of the downward pressure the Bank's margins have experienced. The Company finished the year with $129 million in non-interest bearing deposit accounts. This represented approximately 29% of total deposits, which compares well to the Company's peers in the community banking space and contributes significantly to performance.

The Company's tangible book value per share increased 11.5% to $6.47 on December 31, 2022. This was accomplished through a record EPS of $0.79 per share.

We look forward to an exciting 2023 and pledge that we will exercise prudence in ensuring to take every step to deliver safety and stability to both our shareholders and customers as we navigate and continue our growth course for the Company. We thank you, our shareholders, for all of your continued support as we continue to execute on our strategic plan of growth and increased shareholder value.

We wish you all a safe and healthy 2023.

Sincerely,

Andrew Finkelstein	Philip Guarnieri	Thomas Sperzel
Chairman	Chief Executive Officer	President & Chief Operating Officer

Our Values

At Empire State Bank, we believe that our values are what sets us apart from other financial institutions. As a local bank, we are deeply committed to the communities we serve and we take pride in being a trusted partner to our customers. We believe that banking is not just about transactions and financial services, but also about building relationships and making a positive impact on people's lives. In this annual report, we want to share with you the core values that guide us in our mission to provide exceptional banking services and support to our community.

E - Excellence: We strive for excellence in everything we do, from our products and services to our customer service and support.

M - Mutual Respect: We treat all our customers, team members, and partners with mutual respect, professionalism, and dignity.

P - Personalized Service: We offer personalized banking services and solutions tailored to meet the specific needs of each customer.

I - Integrity: We conduct our business with the highest level of integrity, honesty, and ethical standards.

E - Empathy: We understand our customers' needs and concerns and are empathetic to their financial situations.

At Empire State Bank, we are committed to upholding these core values and using them as a guide to providing exceptional banking services and building long-lasting relationships with our customers and communities.

Our Commitment to Delivering An Exceptional Customer Experience

We have undergone a major transformation in the past year with the relocation of our corporate headquarters to Staten Island. This strategic decision has proved to be a game-changer for our business and our clients, providing us with multiple advantages that have had a positive impact on our operations. The relocation has enhanced the accessibility and convenience for our clients and team members, while also giving us the opportunity to upgrade our facilities and implement a modern and stylish interior design. We are proud to announce that our new headquarters has been honored with the Staten Island Chamber Building Award for Excellence in Interior Design, a testament to the quality and innovation of our new space. In this article, we will explore in further detail the benefits of our relocation to Staten Island and the positive impact it has had on our organization.

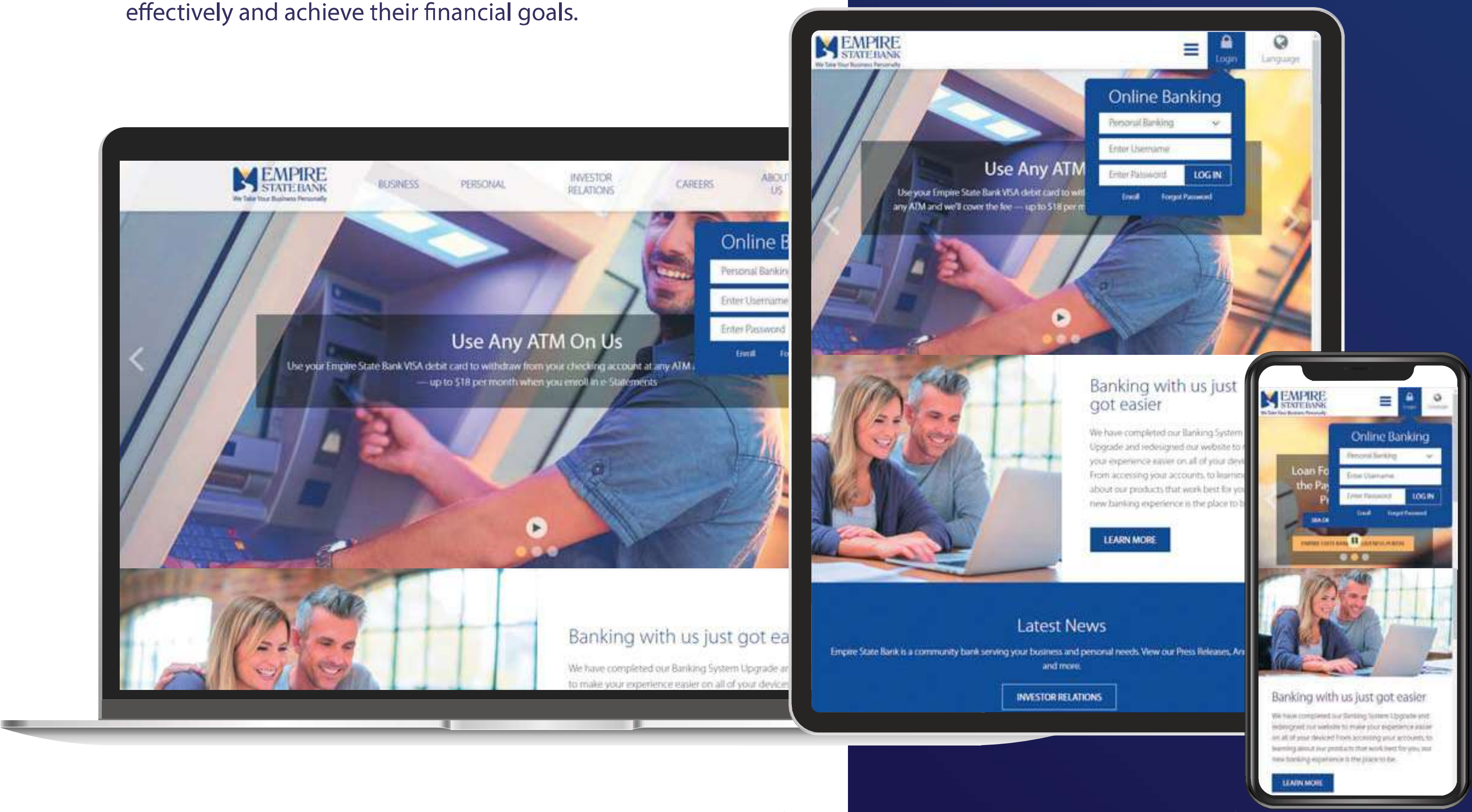
In the past year, we made a bold and strategic move to relocate our corporate headquarters to the vibrant borough of Staten Island. This decision has injected a surge of energy and excitement into our business operations, leaving a lasting impression on our valued clients.

One of the primary advantages we have realized since relocating our corporate headquarters to Staten Island is the significant improvement in accessibility and convenience for both our clients and our team members. With easy access to transportation, clients can now visit us with greater ease, and our team members can enjoy a shorter, more comfortable commute. Furthermore, we have taken advantage of this opportunity to upgrade our facilities and implement a modern and stylish interior design. This has led to a more welcoming and enjoyable environment that enhances the overall experience for our clients and team members alike.

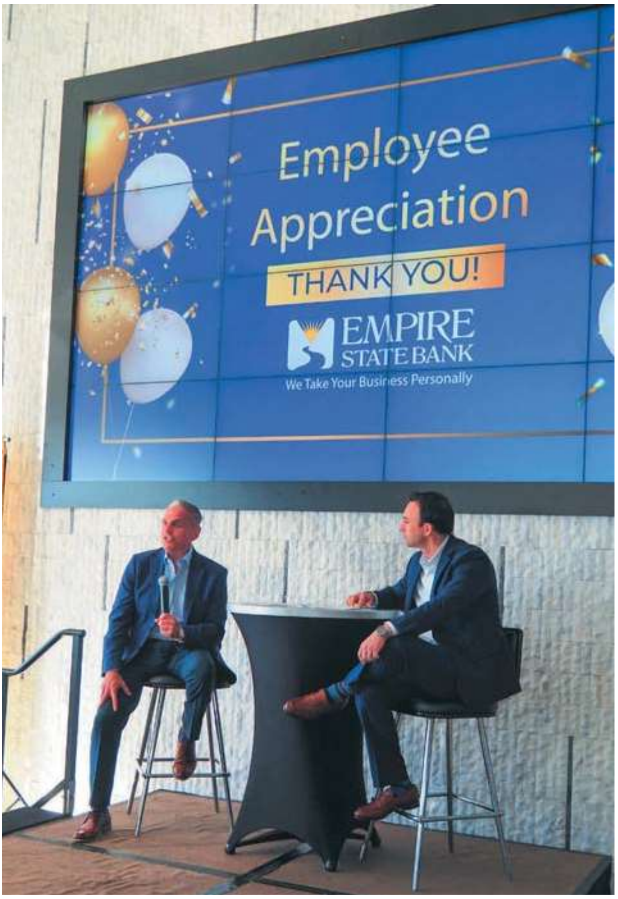
We are immensely proud to announce that our new headquarters has been honored with the Staten Island Chamber Building Award for Excellence in Interior Design, a testament to the quality and innovation of our new space.

Overall, we firmly believe that relocating our headquarters to Staten Island has positioned us for continued success and growth. We are committed to providing exceptional banking services to our clients, and we remain dedicated to delivering strong financial results for our stakeholders. The move has truly been a win-win for everyone involved.

At the heart of our mission is the constant drive to improve the customer experience and provide our customers with the best possible banking services. Our client-centric focus has led us to introduce new and cutting-edge banking systems, with a deep-seated commitment to adding clients, deepening relationships, and delivering personalized experiences. In recent years, we have made significant investments in the latest banking technology to enhance our product and service offerings. We are thrilled to announce the successful completion of our upgraded banking system which offers a myriad of benefits to our customers from faster processing times to enhanced security features and improved access to banking services. Our current banking system has proven to be a game-changer. Our customers now have access to a more convenient and efficient banking experience, complete with features such as mobile check deposit, online bill pay, and real-time account monitoring, person-to-person payments, Extended FDIC Coverage Programs and Zelle. Furthermore, our advanced security measures protect our customers' personal and financial information from the ever-present threat of fraud and identity theft. As part of our unwavering commitment to customer satisfaction, we have expanded our ATM network to provide greater convenience and accessibility. Our ATMs are available 24/7, and we offer fee-free ATM access to our customers at any ATM nationwide. Our goal is to continue evolving and growing a market-leading franchise, while providing clients with smarter, simpler, and more engaging banking experiences. By harnessing the power of the latest technology and security measures, we are confident that we can help our customers manage their finances more effectively and achieve their financial goals.



Creating an inclusive and energizing environment that empowers teammates to learn, grow, and have meaningful careers.



Our collective success depends on attracting, retaining and developing the right talent to deliver on our strategy. From wellness and flexibility, to skill building and leadership development, we are committed to supporting, enabling and empowering our Team as they help our clients thrive. At Empire State Bank, we are proud to have a team of dedicated professionals who are committed to serving the needs of our customers and the community. Our team is made up of individuals with diverse backgrounds, experiences, and skill sets, all of whom bring a unique perspective and expertise to our organization. We believe in fostering a positive and supportive work environment that encourages collaboration, creativity, and innovation. Our team members are not just Team, but partners who work together to achieve our common goals. We are passionate about giving back to the communities we serve and encourage our team members to get involved in community events and charitable initiatives. Many of our team members volunteer their time and resources to support local organizations and causes that make a positive impact on the lives of our customers and their neighbors. We also invest in our team members' professional development and provide ongoing training and education to ensure they have the knowledge and skills necessary to provide exceptional service and support to our customers. At our bank, we believe that our team is our greatest asset, and we are committed to creating a culture of excellence, collaboration, and service. We are proud to have a team that embodies these values and is dedicated to making a positive impact on the lives of our customers and the community.

We take great pride in acknowledging the exceptional contributions of our team members and expressing our gratitude for their unwavering dedication and hard work. Recently, at our Team Appreciation Party, we celebrated their outstanding performance and recognized their pivotal role in our Bank's success and to demonstrate our appreciation for their tireless efforts and well-deserved recognition. We understand the importance of creating a positive and supportive work environment that fosters collaboration, creativity, and innovation. Our team members are more than just colleagues; they are partners who work together to achieve our common goals. We are committed not only to their professional development but also to their overall well-being. That's why we recently introduced work flexibility, such as remote work for office employees, adjusted hours for our banking centers, and increased pay for retail employees who work on weekends. Our team is the foundation of our success, and we strive to create an inclusive and empowering workplace that supports their growth and development. We will continue to recognize and celebrate their contributions and provide them with the resources they need to thrive.

In addition, we're thrilled to announce the launch of our Lion's Pride Leadership program, a company-wide initiative designed to empower and develop our Team's leadership skills. This program is open to the entire Team, from our top executives to entry-level positions. We firmly believe that every team member has the potential to become a great leader. The goal is to develop and enhance the leadership skills of our team, thereby fostering a cohesive and dynamic team environment. At Empire State Bank we firmly believe in investing in our Team through initiatives like this, as we recognize the potential long-term benefits of such investments. By investing in our Team's professional development, we're not only helping them reach their fullest potential, but we're also building a strong, cohesive team environment that will drive our company's success for years to come.

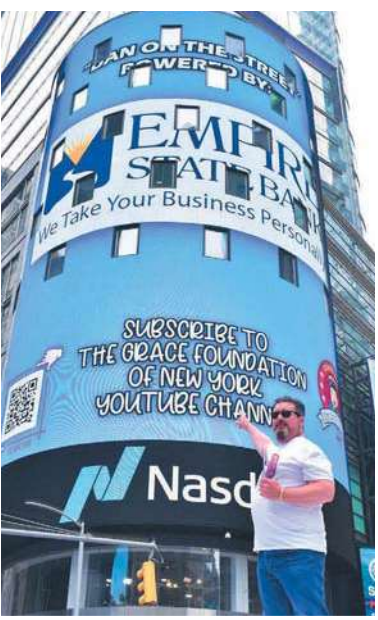
Community lies at the heart of our purpose

As the city continued to fully open over the course of the year and as communities felt more comfortable hosting public events, the Empire State Bank team resumed its presence in communities to engage with residents, businesses, and organizations in every corner of the city.

At Empire State Bank, we believe in more than just personalized service; we also have a deep commitment to supporting and giving back to the communities we serve. We know that when our communities prosper, we all benefit. That's why we are passionate about supporting local organizations, events, and initiatives through volunteerism, sponsorships, and charitable donations. We take pride in being active members of our communities, and we are excited to continue our support in the years to come.

Our team is committed to not only participating in business discussions but also enjoying the hospitality of the communities we serve. By getting to know and listening to communities on a personal level, we can better understand how to make a long-lasting and inclusive impact. These events also give us the chance to transform our communities by supporting local organizations, events, and initiatives through volunteerism, sponsorships, and charitable donations.

Through it all, we are dedicated to engaging with our local communities and spreading the word about Empire State Bank. We are proud to be an active member of the communities we serve and look forward to continuing to support them in the years to come.



Strengthening small businesses and entrepreneurial endeavors

We understand the important role that small businesses play in our communities, and we believe that when small businesses succeed, our communities succeed. That's why we are passionate about providing exceptional personalized service, banking services, and support to help businesses thrive.

Empire State Bank is a leading community bank recognized for its personal service, unwavering commitment to building strong relationships with clients, and providing expert guidance and tailored solutions to meet their unique needs. Throughout the year, we have worked closely with small business owners to understand their unique challenges and provide customized solutions to help them overcome these obstacles. We offer a full range of business deposit and lending products that are tailored to meet each customer's specific financial needs, as well as educational resources and expert guidance to help businesses make informed financial decisions.

We have also been active in supporting small business growth and development through community partnerships and initiatives. At Empire State Bank, we believe in creating meaningful change that benefits neighborhoods and residents by inspiring and building better lives and communities. We have sponsored local events and organizations that promote small business development and entrepreneurship, and we have provided financial support and resources to small businesses in need. In addition, we have invested in our own small business banking infrastructure, offering enhanced online banking and mobile app features to make banking more convenient and accessible for small business owners.

We understand that in today's fast-paced business environment, convenience and accessibility are key factors in running a successful business, and we are committed to providing our customers with the tools and resources they need to succeed. We believe that small businesses are vital to the health and vibrancy of our local economy, and we are proud to be their partner in growth and success.

In this annual report, we are proud to highlight our commitment to serving small businesses in our community. As part of this commitment, we are featuring customers who have benefited from our customized solutions, educational resources, and expert guidance to help them overcome unique challenges and achieve success. We recognize that our customers are the heart and soul of our business, and we are honored to share their stories and accomplishments in our report. By highlighting the success of our small business customers, we hope to inspire others in our community to pursue their entrepreneurial dreams and achieve their goals.

Dependable Auto

Dependable Auto Body is a family-owned and operated business that has been providing exceptional auto body repair services on Staten Island for over four generations since 1978. Dependable Auto Body's reputation for exceptional service and auto body repair has made them a trusted name in the industry. Their commitment to quality workmanship, state-of-the-art equipment, and highly trained technicians has earned them a loyal customer base on Staten Island and beyond. Whether it's collision repair, cosmetic repair, dent removal, or frame straightening, Dependable Auto Body is dedicated to providing the highest level of service and customer satisfaction. With their limited lifetime warranty and senior citizen discounts, they continue to go above and beyond for their customers. Dependable Auto Body's road to success is further attributed to the exceptional support they received from Jeanne Sarno, FVP, Business Relationship Manager, their trusted business banker at Empire State Bank. Over the years, Jeanne Sarno has provided them with a range of customized banking solutions tailored to help them manage their cash flow efficiently and provided them with financing options to support their growth. With the Empire State Bank's advanced online banking and mobile app, Dependable Auto has been able to conveniently manage their accounts and make transactions. The long-standing relationship between Dependable Auto Body and Empire State Bank is a testament to the bank's commitment to supporting the success and growth of small businesses in the community

"I cannot recommend CEO, Philip Guarnieri and my Business Relationship Manager, Jeanne Sarno, enough. Since partnering with them, I have received exceptional support for all my banking needs. Jeanne has taken the time to understand the unique requirements of my auto body shop and provided me with tailored financial solutions to help me manage my cash flow and support my growth. With the Empire State Bank online banking and mobile app, I can easily manage my business accounts and pay bills from anywhere, at any time. I am grateful for the partnership we have developed over the years and recommend Empire State Bank and Jeanne Sarno to any small business owner looking for a reliable and trustworthy banking partner"

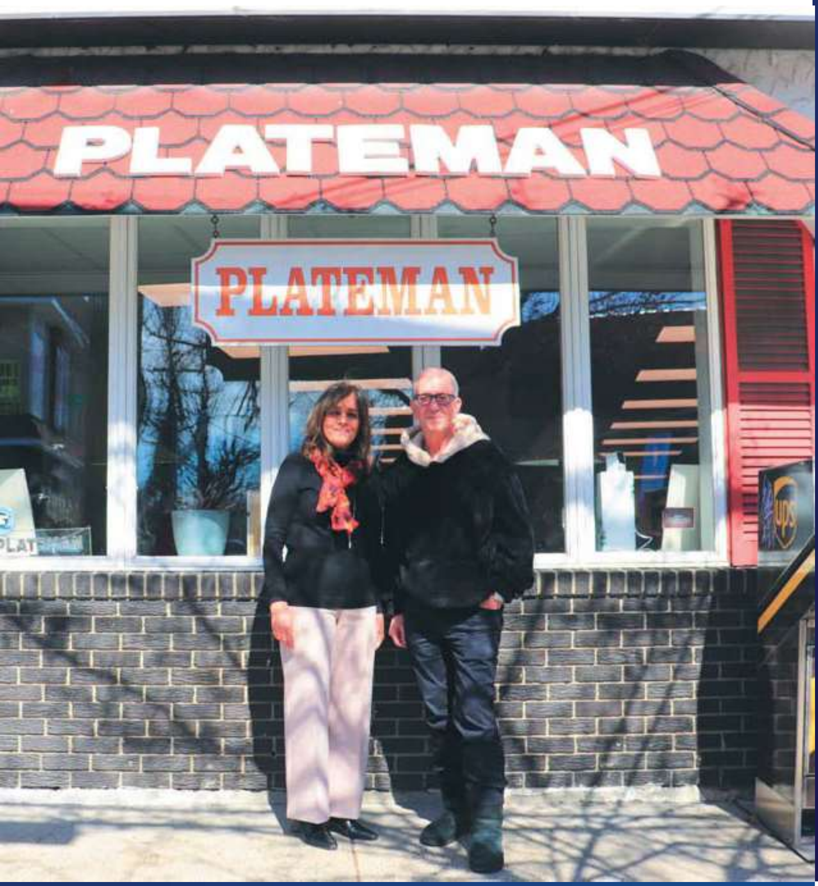
– Joseph Quattrocchi, Owner, Dependable Auto

DEPENDABLE AUTO BODY

www.dependableautobody.com

(718) 447-4898

Plateman Inc.



Plateman, a family-owned and operated business, has been providing top-notch Motor Vehicle services to hundreds of satisfied dealers in Staten Island and across the country for more than 40 years. The business was launched when Scott Spina and his father, Dominick, spotted an opportunity to generate part-time work for themselves. After Scott served in the U.S. Army from 1969 to 1971 and was back home attending Wagner College, his father, a postal worker, was planning to retire. As Scott tells the story, it was the invoice for a recent car purchase that got them thinking because it included a $10 "documentary fee" for the service of registering the vehicle at the DMV. Since then, Plateman has built a reputation for providing efficient and reliable motor vehicle services to dealerships of all sizes. Plateman's success is driven by their unwavering commitment to providing exceptional customer service and a strong work ethic. JoAnn Puma Libretti, VP, Business Relationship Manager at Empire State Bank has been instrumental in supporting their banking needs, providing customized solutions to help them manage their finances efficiently and effectively, and offering expert guidance to help them make informed financial decisions. With their solid track record, it's no surprise that Plateman has become a trusted name in the Motor Vehicle industry. With JoAnn's guidance, Plateman has been able to remain competitive in the market and continue providing high-quality services to their customers. Her exceptional support has been a key factor in the long-standing partnership between Plateman and Empire State Bank.

"Working with JoAnn Puma Libretti, VP, Business Relationship Manager at Empire State Bank has been a game changer for our business. She truly understands the needs of small businesses like ours and has provided us with customized financial solutions that have helped us achieve our goals. From managing our cash flow to providing financing options for our growth, JoAnn has been instrumental in fueling our financial success. We appreciate her commitment, dedication, and expertise, and we are proud to have her as our trusted business banker. Thank you, JoAnn and Empire State Bank, for your unwavering support."

– Scott Spina, Owner, Plateman

www.nyplateman.com

(718) 667-4746

HL Supermarket

New HL Supermarket is a newly opening Chinese supermarket on Staten Island that promises to bring a wide range of authentic Chinese products to the local community. With a commitment to providing high-quality products at affordable prices, New HL Supermarket is poised to become a go-to destination for shoppers looking for authentic Chinese ingredients and groceries. The store offers a comprehensive selection of fresh produce, including a variety of exotic fruits and vegetables, as well as a vast array of spices, sauces, and seasonings, all sourced directly from China. The store's knowledgeable and friendly Team is dedicated to providing exceptional service and helping customers find exactly what they need. As a small business, New HL Supermarket is proud to be a part of the Staten Island community and looks forward to serving the local residents for many years to come. When New HL Supermarket was preparing to open its doors on Staten Island, they turned to Su Ying Wu, Business Relationship Manager at Empire State Bank for support. With the guidance and expertise of their banker, to open a business checking account establish their banking infrastructure and manage their finances efficiently so they can focus on providing exceptional service and high-quality products to their customers, while building a strong foundation for their business's financial success.

“I cannot thank Su enough for her exceptional service as we were opening our newest supermarket on Staten Island. Thanks to her, we were able to take advantage of the free business checking account and other banking services that have helped us manage our finances efficiently. Su made the entire process seamless and stress-free, ensuring that all the necessary documents were prepared and submitted in a timely manner. We are grateful for Su's dedication and commitment to our success, and we look forward to continuing our partnership with Empire State Bank."

– Zhong Yi Lin, Owner, New HL Supermarket

華聯超市
Hua Lian supermarket

www.hualiansupermarket.com

(718) 680-2889

Helping Build Stronger & Vibrant Local Communities

At Empire State Bank we are deeply committed to giving back to the communities we serve, and supporting local charities, organizations, and events that make a positive impact on the lives of our customers and their neighbors. Nonprofits play a vital role in providing essential services and support to individuals and families in need, and we are dedicated to supporting their important work.

Throughout the year we have partnered with various nonprofit organizations in our community to provide financial support, volunteer time, and other resources to help them achieve their mission. We have sponsored fundraising events and initiatives, provided grants and donations, and encouraged our team members to get involved in local nonprofit organizations as volunteers and board members. We have also offered specialized banking products and services designed to meet the unique needs of nonprofit organizations.

We understand that nonprofits have specific financial needs and challenges, and we are committed to providing them with the expertise and support they need to manage their finances effectively and efficiently. By working together with nonprofits, we can make a positive impact on the lives of those in need and help to build stronger and more vibrant communities.

At Empire State Bank we are proud to support a wide range of nonprofit organizations in our community, and we believe that our partnerships with these organizations are vital to making a positive difference in the lives of our neighbors and friends. Our annual report showcases our unwavering dedication to supporting local nonprofit organizations, through customized solutions, educational resources, and expert guidance to assist these organizations in achieving their missions.

Our commitment to serving our customers goes beyond just financial transactions, and we are proud to share their stories of success and impact in our report. By highlighting the success of our nonprofit customers, we aim to inspire other nonprofit organizations to take action and pursue their goals, ultimately contributing to the greater good of our community.

On Your Mark

Since 1979, On Your Mark, Inc. has been supporting the needs of individuals with intellectual and developmental disabilities as well as their families in Staten Island and Brooklyn. They offer a wide range of services to children and adults who have been diagnosed with various conditions, such as autism, cerebral palsy, intellectual disabilities, neurological impairments, and traumatic brain injury. On Your Mark is a pioneer in creating curricula for Team training, which benefits students, volunteers, and professionals in the community. They believe that every individual deserves a chance to live a joyful and productive life. On Your Mark achieves this by setting higher expectations, presenting new challenges, and celebrating real accomplishments. The organization empowers individuals with intellectual and developmental disabilities to achieve their highest level of independence in the community, regardless of the severity or type of disability they may have. Empire State Bank was thrilled to partner with On Your Mark, Inc. in providing tailored banking solutions to meet their unique needs. Jeanne Sarno, FVP, Business Relationship Manager at Empire State Banks worked closely with On Your Mark to understand their financial requirements and develop a customized plan that would ensure their financial success. In addition to grants and sponsorships, On Your Mark does their general banking with Empire State Bank. We are proud to keep our reserves with them and are even exploring options to finance our newest venture with them. Jeanne's knowledge of the organization's goals and objectives has allowed her to provide tailored banking solutions that have enabled On Your Mark to achieve its financial objectives.

"From the moment we began working with Empire State Bank, it was evident that their commitment was to build a strong and lasting relationship with our nonprofit organization. What we value most about Empire State Bank is their personalized approach to banking. They genuinely care about the success of our organization and are dedicated to helping us achieve our mission. Their staff took the time to get to know us, understand our unique needs and challenges, and provided tailored financial solutions to meet those needs. Empire State Bank has shown an unwavering commitment to philanthropy and community involvement. They have become a true partner in our efforts to make a positive impact in our community. We are grateful for their generosity and support through sponsorships, donations, and volunteer work. They have been an integral part of our success and have helped us achieve our goals. I highly recommend Empire State Bank to any nonprofit organization seeking a banking partner that values personalized service, expertise, and philanthropy. They have earned our trust and respect, and we look forward to continuing our partnership with them for many years to come."

– John Bilotti, Executive Director, On Your Mark

On Your **Mark**™

www.onyourmark.org

(718) 720-9233

The Federation of Italian-American Organizations of Brooklyn (FIAO)

FIAO is more than just a non-profit organization - it's a community of like-minded individuals who are passionate about preserving Italian-American culture and heritage. With FIAO, you can expect to be part of something truly special. The Federation of Italian-American Organizations of Brooklyn (FIAO) has been at the forefront of numerous initiatives and events since its establishment in 1975. Its efforts include offering scholarships to Italian American students, organizing cultural festivals, and running community outreach programs. FIAO is a non-profit organization that is committed to promoting and preserving Italian-American heritage and culture in New York State. With a variety of programs and services, including social and counseling services, after-school academic and enrichment programs, multicultural initiatives, youth leadership teams, senior programs, and community activities, FIAO provides opportunities for participants to engage in programs of their choice. The organization's primary mission is to foster greater interest and concern in civic, social, and cultural affairs while encouraging mutual assistance and understanding within the community. At the heart of FIAO's activities is the state-of-the-art I Centro Community Cultural Center, where more than three thousand members of all ages and backgrounds can safely engage in activities that promote creativity and community. I Centro strives to share Italian-American heritage and improve the quality of life for all. When FIAO needed to develop and grow their organization, they turned to their trusted partner, JoAnn Libretti, Vice President, Business Relationship Manager at Empire State Bank. With her expertise and support, FIAO has been able to manage its finances more effectively and efficiently with the financial tools and resources JoAnn's knowledge of the organization's goals and objectives has allowed her to provide tailored banking solutions that have enabled FIAO to achieve its financial objectives.

"Working with Empire State Bank has been an absolute pleasure! They have been with me every step of the way. Their team is friendly, approachable and they always go above and beyond. Whether it's answering questions about our checking account, providing financial advice, or simply being a friendly voice on the phone, I always feel valued as a client. I am grateful for Empire State Bank's commitment to giving back to the community. They truly care about giving back to the community and have generously supported FIAO through sponsorships and donations. They have become a true partner to our organization and we are grateful for their support. I highly recommend Empire State Bank to any nonprofit organization seeking a banking partner that values personalized service, expertise, and philanthropy. They have truly become an integral part of our organization."

– Nancy Sottile, Executive Director, The Federation of Italian-American Organizations of Brooklyn (FIAO)

FIAO BROOKLYN

www.fiaobrooklynk.org

(718) 259-2828

Crossroads Unlimited

Crossroads Unlimited Inc. is a visionary non-profit organization committed to providing exceptional care and services to individuals with intellectual and developmental disabilities. With over a decade of dedicated service, Crossroads Unlimited Inc. has become a shining example of excellence in the care of individuals with developmental disabilities and behavioral health challenges. Their team of highly trained and compassionate team members work tirelessly to promote independence, socialization, and community inclusion for all those under their care. Through individualized service plans, Crossroads ensures that each person achieves structure, meets their goals, and realizes their full potential. Crossroads Unlimited Inc. mission is a powerful one: to empower individuals with autism, Asperger's Syndrome, neurological impairments, and other developmental disabilities to create the lives they want to lead. At Crossroads, they understand the importance of building on people's strengths in supportive, normalized environments. Their focus is on creating opportunities, offering choices, maintaining dignity, maximizing potential, instilling confidence, teaching continuously and effectively, making a difference, enhancing independence, nurturing skills, and triumphing over challenges. With a commitment to empowering individuals with disabilities to create the lives they want to lead and with the unwavering support of Jeanne Sarno, FVP, Business Relationship Manager at Empire State Bank, Crossroads has been able to continue their important work in the community. The team at the bank has been an invaluable partner, providing guidance and personalized support to help Crossroads obtain a Paycheck Protection Program (PPP) loan to ensure they have resources they need to fulfill their mission and positively impact the lives of those they serve.

"Crossroads Unlimited, Inc is a non-profit agency that is dedicated to providing a diverse range of services to individuals with intellectual and developmental disabilities. Crossroads Unlimited and Empire State Bank share a mutual passion for exceptional service and our deep roots in the community. We also share a common ground in our commitment to empowering individuals and organizations to achieve their full potential. At Crossroads Unlimited, we strive to help individuals with developmental disabilities lead fulfilling lives by building on their strengths and creating opportunities for growth. Similarly, Empire State Bank is dedicated to supporting local businesses and nonprofits in realizing their goals and making a positive impact in the community. This shared belief in the power of potential and the importance of community engagement has strengthened our relationship, fueled our mutual success, and enabled us to make a meaningful difference in the lives of those we serve. Empire State Bank has a comprehensive understanding of the unique needs and operational requirements of non-profit organizations like Crossroads Unlimited, Inc. I have been extremely pleased with the tailored financial services provided by Jeanne Sarno and her team at Empire State Bank. Their support has been crucial to our growth and success. The cash management and line of credit have enabled us to manage our finances effectively, while Jeanne's expertise and guidance have helped us make sound financial decisions. Empire State Bank was pivotal in helping us secure funding from the Paycheck Protection Program, which was instrumental in helping us continue our operations during the pandemic. We are grateful for their unwavering commitment to our organization and look forward to continuing our partnership for years to come."

– Ted Ericson, MS, Executive Director/Founder

Crossroads Unlimited Inc.

www.crossroadsunlimitedinc.org

(718) 420-6330

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ES Bancshares, Inc.
Staten Island, New York

Opinion

We have audited the consolidated financial statements of ES Bancshares, Inc., which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of operations and other comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ES Bancshares, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ES Bancshares, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ES Bancshares, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ES Bancshares, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ES Bancshares, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

New York, New York
March 31, 2023

ES BANCSHARES, INC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except per share amounts)

	For Year Ended December 31, 2022	2021
ASSETS		
Cash and cash equivalents	$ 38,115	$ 59,078
Investment securities available for sale, at fair value	8,784	3,932
Investment securities held to maturity, at amortized cost (fair value of $6,381 and $7,254 at December 31, 2022 and 2021, respectively)	7,258	7,260
Total securities	16,042	11,192
Loans receivable	508,830	425,752
Deferred cost	3,762	2,353
Allowance for loan losses	(5,860)	(5,869)
Total loans receivable, net	506,732	422,236
Accrued interest receivable	2,020	1,827
Investment in restricted stock, at cost	4,779	2,502
Goodwill	581	581
Premises and equipment, net	6,209	6,427
Right of use lease asset	6,872	5,563
Bank owned life insurance	5,202	5,068
Other assets	1,303	844
Total assets	$ 587,855	$ 515,318
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 129,641	$ 149,392
Interest bearing	320,157	284,293
Total deposits	449,798	433,685
Borrowings	64,900	15,169
Subordinated debentures, net of issuance costs of $334 and $373, respectively	13,666	13,627
Lease liability	7,093	5,759
Other liabilities	8,397	7,831
Total liabilities	543,854	476,071
Stockholders' equity:		
Common stock (par value $0.01; 10,000,000 shares authorized; 6,714,433 and 6,648,320 shares issued and outstanding at December 2022 and 2021, respectively)	67	66
Additional paid-in-capital	35,951	35,863
Retained earnings	8,450	3,201
Accumulated other comprehensive (loss) income	(467)	117
Total stockholders' equity	44,001	39,247
Total liabilities and stockholders' equity	$ 587,855	$ 515,318

See accompanying notes to financial statements

ES BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

(In thousands)

	For Year Ended December 31, 2022	For Year Ended December 31, 2021
INTEREST AND DIVIDEND INCOME:		
Loans	$ 20,038	$ 20,148
Securities	563	151
Fed Funds and other earning assets	613	262
Total interest and dividend income	21,214	20,561
INTEREST EXPENSE:		
Deposits	2,352	1,342
Borrowed funds	1,484	1,338
Total interest expense	3,836	2,680
Net interest income	17,378	17,881
(BENEFIT) PROVISION FOR LOAN LOSSES	(79)	670
Net interest income after (benefit) provision for loan losses	17,457	17,211
NON-INTEREST INCOME:		
Service charges and fees	793	836
Net gain on sales of participating interests in loans	241	343
Gain on sale of repossessed asset	206	-
Gain on sale of banking center	1,782	-
Other	148	85
Total non-interest income	3,170	1,264
NON-INTEREST EXPENSE:		
Compensation and employee benefits	7,267	6,570
Occupancy and equipment	2,631	2,448
Data processing service fees	1,181	830
Professional fees	833	672
FDIC and NYS banking assessment	225	306
Advertising	250	228
Insurance	176	138
Other	1,268	1,372
Total non-interest expense	13,831	12,564
Income before income taxes	6,796	5,911
INCOME TAX EXPENSE	1,547	1,285
Net income	$ 5,249	$ 4,626
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized losses on securities available for sale:	(753)	(147)
Tax effect	169	31
Total other comprehensive (loss)	(584)	(116)
Comprehensive income	$ 4,665	$ 4,510

See accompanying notes to consolidated financial statements.

ES BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021

(Dollars in thousands, except per share amounts)

	Common Stock		**Additional Paid-In**	**Retained**	**Accumulated Other Comprehensive**	
	Shares	**Amount**	**Capital**	**Earnings**	**Income / (Loss)**	**Total**
Balance at January 1, 2021	6,648,320	$ 66	$ 35,831	$ (1,425)	$ 233	$ 34,705
Net income for the period	-	-	-	4,626	-	4,626
Stock based compensation expense	-	-	32	-	-	32
Other comprehensive (loss)	-	-	-	-	(116)	(116)
Balance at December 31, 2021	6,648,320	66	35,863	3,201	117	39,247
Net income for the period	-	-	-	5,249	-	5,249
Stock based compensation expense	-	-	44	-	-	44
Stock option exercise	18,113	1	44	-	-	45
Restricted Stock Granted	49,000	-	-	-	-	-
Restricted Stock Forfeited	(1,000)	-	-	-	-	-
Other comprehensive (loss)					(584)	(584)
Balance at December 31, 2022	6,714,433	67	35,951	8,450	$ (467)	$ 44,001

See accompanying notes to consolidated financial statements

ES BANCSHARES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,
(Dollars in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 5,249	$ 4,626
Adjustments to reconcile net income to net cash provided by operating activities:		
(Benefit) provision for loan losses	(79)	670
Depreciation of premises and equipment	884	758
Amortization and accretion of deferred fees, discounts and premiums, net	352	2,051
Amortization of right of use asset	823	625
Change in operating lease liability	(829)	(539)
Realized gain on sale of SBA loans	(241)	(343)
Income from bank-owned life insurance	(134)	(67)
Gain on sale of repossessed assets	(206)	—
Net gain on sale of banking center	(1,782)	—
Deferred income (benefit) tax and valuation allowance	(17)	403
Stock based compensation expense	44	32
(Increase) decrease in other assets	(396)	550
(Increase) decrease in interest receivable	(193)	596
Increase (decrease) in other liabilities	484	(2,004)
Increase (decrease) in accrued interest payable	236	(169)
Net cash provided by operating activities	4,195	7,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(21,853)	—
Purchases of securities held to maturity	(1,510)	(7,260)
Proceeds from calls of HTM securities	1,500	—
Proceeds from sale of loans receivable	4,407	2,250
Principal repayments on securities available for sale	16,193	2,367
Net (originations) repayments of loans receivable	(98,312)	2,032
Additions to premises and equipment	(1,176)	(2,753)
Net (purchase) redemption of restricted stock	(2,277)	545
Net cash paid for sale of banking center	(55,824)	—
Proceeds from sale of repossessed assets	93	—
Purchase of bank-owned life insurance	—	(5,001)
Net cash used in investing activities	(158,759)	(7,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits	83,825	58,666
Proceeds from (repayments) of short-term advances from the FHLB	49,731	(15,000)
Repayment of FRB PPPLF advances	—	(46,490)
Payment of cash for exercise of stock options	45	—
Net cash provided (used in) by financing activities	133,601	(2,824)
Decrease in Cash and Cash Equivalents	(20,963)	(3,455)
CASH AND CASH EQUIVALENTS – BEGINNING	59,078	62,533
CASH AND CASH EQUIVALENTS – ENDING	38,115	59,078
SUPPLEMENTARY CASH FLOWS INFORMATION		
Interest paid	3,600	2,849
Income taxes paid	1,716	874
Establishment of lease liability and right-of-use asset, net of termination	2,132	—
Net assets transferred for sale of banking center, excluding cash and cash equivalents	$ (57,060)	$ —

See accompanying notes to consolidated financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of ES Bancshares, Inc. (the "Company") and its wholly owned subsidiary, Empire State Bank (the "Bank"); the Bank's wholly owned subsidiaries, Iron Creek LLC and North Plank Realty II Inc. All significant intercompany accounts and transactions have been eliminated.

Nature of Operations

The Company's common stock is quoted on the OTCQX® Best Market, and trades under the symbol "ESBS". The Company conducts its business principally through the Bank. The Bank is a New York state chartered bank and provides a variety of financial services to meet the needs of communities in its market area. The Bank is headquartered in Staten Island, New York, operates its business from five banking offices located in Staten Island and Brooklyn, New York. The Bank also has loan production offices located in Queens and Staten Island, New York. Its primary deposit products are checking, savings and term certificate accounts and its primary lending products are Commercial and Residential Mortgages, Commercial loans and SBA guaranteed loans. The Bank is subject to the regulations of certain regulatory agencies and undergoes periodic examinations by those regulatory authorities.

Basis of Presentation

The financial statements have been prepared in conformity with United States generally accepted accounting principles ("GAAP"). The preparation of the accompanying consolidated financial statements, in conformity with these accounting principles, requirements management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and reported amounts of revenues and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current and forecasted economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes, including in the economic environment, will be reflected in the financial statements in future periods.

Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the statement of financial condition date of December 31, 2022, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date of March 31st 2023, which is the date the financial statements were available to be issued.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include highly liquid instruments with original maturities of less than 90 days, primarily, interest bearing deposits with other financial institutions. Net cash flows are reported for customer loan and deposit transactions.

Securities

Securities are designated at the time of acquisition as available for sale ("AFS") or held-to-maturity ("HTM"). Securities that the Company will hold for indefinite periods of time and that might be sold in the future as part of efforts to manage interest rate risk or in response to changes in interest rates, changes in prepayment risk, changes to market conditions or changes in economic factors are classified as available for sale. Securities available for sale are carried at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss), net of related deferred tax effect. Securities that the Company has the positive intent and ability to hold to maturity are designated as held to maturity and are carried at amortized cost.

Purchase premiums and discounts are recognized in interest income using the level yield method over the contractual terms of the securities. Gains and losses realized on sales of securities are determined on the specific identification method and are reported in non-interest income.

The Company periodically evaluates the security portfolio to determine if a decline in the fair value of any security below its cost basis is other-than-temporary. The Company's evaluation of other-than-temporary impairment considers the duration and severity of the impairment, the company's intent and ability to hold the securities and our assessments of the reason for the decline in value and the likelihood of a near-term recovery. If a determination is made that a debt security is other-than-temporarily impaired, the Company will estimate the amount of the unrealized loss that is attributable to credit and all other non-credit related factors. The credit related component will be recognized as an other-than-temporary impairment charge in non-interest income. The non-credit related component will be recorded as an adjustment to accumulated other comprehensive income ("AOCI"), net of tax.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their unpaid principal adjusted for any unamortized premiums or discounts, charge-offs, the allowance for loan losses, and any deferred fees and costs on originated loans. Direct loan origination costs net of origination fees are deferred and recognized as an adjustment of the related loan's yield (interest income) generally amortizing over the contractual life of the loan.

Interest income is accrued daily on the unpaid principal balances.

For all classes of loans, the accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. A loan can be returned to accrual status when collectability of principal is reasonably assured and the loan has performed for a period of time, generally six-months. Interest income received on non-accrual loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred losses, which, in management's judgment, will be adequate to absorb credit losses inherent in the loan portfolio as of the balance sheet date. The adequacy of the allowance is determined by management's evaluation of the loan portfolio based on such factors as the differing economic risks associated with each loan category, the current financial condition of specific borrowers, the economic environment in which borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications.

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance for loan losses. The allowance for loan losses consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For such loans, an allowance is established when the discounted cash flows, collateral value or observable market price is lower than the carrying value for that loan. The general component covers all other loans and is based on historical loss factors adjusted for general economic factors and other qualitative risk factors such as changes in delinquency trends, industry concentrations and local/national economic trends. The allowance contains reserves identified as unallocated. These reserves reflect management's attempt to ensure that the overall allowance reflects a margin for imprecision and the uncertainty that is inherent in estimates of probable credit losses.

Impaired Loans: On a case-by-case basis, the Company may conclude that a loan should be evaluated for impairment based on its disparate risk characteristics. When the Company determines that a loan no longer shares similar risk characteristics with other loans in the portfolio, the allowance will be determined on an individual basis using the present value of expected cash flows or, for collateral-dependent loans, the fair value of the collateral as of the reporting date, less estimated selling costs, as applicable.

Troubled Debt Restructured ("TDR") Loans: We may agree to modify the contractual terms of a borrower's loan. In cases where such modifications represent a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring. Modifications as a result of a troubled debt restructuring may include, but are not limited to, interest rate modifications, payment deferrals, restructuring of payments to interest-only from amortizing and/or extensions of maturity dates. Modifications which result in insignificant payment delays and payment shortfalls are generally not classified as troubled debt restructurings. Loans modified in a troubled debt restructuring are individually evaluated for impairment and included in the separately identified impairment disclosures. TDR's are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral.

Investment in restricted stock

Federal Reserve Bank: As a member of the Federal Reserve Bank ("FRB") system, the Bank is required to maintain a minimum investment in FRB stock. Any excess may be redeemed by the Bank or called by the FRB at par. At its discretion, the FRB may declare dividends on this stock. The Bank had $1.3 million invested in FRB stock at December 31, 2022 and 2021, respectively, which is carried at cost due to the fact that it is a restricted security.

Federal Home Loan Bank of New York: The Bank is a member of the Federal Home Loan Bank of New York ("FHLB"). As a member the Bank was required to maintain FHLB capital stock, in the amount of $3.4 million and $1.1 million at December 31, 2022 and 2021, respectively. The amount is carried at cost, due to its classification as a restricted security. The FHLB may declare dividends on this stock at its discretion.

Goodwill

Goodwill results from business acquisitions and represents the excess of the purchases price over the fair value of the acquired assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Premises and Equipment

Land is carried at cost. Bank premises, leasehold improvements and furniture and equipment are carried at cost less accumulated depreciation and amortization. Office buildings and furniture, fixtures and equipment are depreciated using the straight-line method over their estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the terms of the respective leases or lives of the assets, whichever is shorter. Costs incurred to improve or extend the life of existing assets are capitalized. Repairs and maintenance are charged to expense.

Leases

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB advance rate, adjusted for the lease term and other factors.

Bank Owned Life Insurance

The Bank has purchased life insurance on certain key employees. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using tax rates. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Realization of deferred tax assets is dependent upon the generation of future taxable income. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of New York and the City of New York. The Company is no longer subject to examination by taxing authorities for years before 2019.

Comprehensive Income

Comprehensive income represents the sum of the net income and items of "other comprehensive income (loss)" that are reported directly in stockholders' equity, such as the change during the period in the net unrealized gain or loss on securities available for sale.

Stock Compensation Plans

Compensation expense related to stock options and non-vested stock awards is based on the fair value of the award on the measurement date with expense recognized on a straight-line basis over the service period of the award. The fair value of the stock options is estimated using the Black-Scholes valuation model. The fair value of non-vested stock awards is generally the closing market price of the Company's common stock on the date of grant. The company accounts for forfeitures as they occur.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Sales of Participating Interests in Loans

Gains or losses recognized on the sale of participating interests in loans are determined on a specific identification basis. Gains or losses are determined by allocating the carrying amount between the participating interest sold and the Company's retained interest, based on their relative fair values and taking into account any servicing rights retained. The retained interests, net of any discounts or premiums, are included in loans, net of allowance for loan losses, in the accompanying statements of financial condition.

Loan Servicing Rights

Servicing assets are recognized when participating interests in loans are sold with servicing retained, with the income statement effect recorded in gain on sale of participating interests in loans. Servicing rights are initially recorded at fair value. Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

Servicing rights are subsequently measured using the amortization method, which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying participating interests. Servicing rights are evaluated for impairment based upon the fair value of the rights compared to the carrying amount. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

Earnings per Common Share

Basic earnings per share represents net income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. The weighted-average common shares outstanding include the weighted-average number of shares of common stock outstanding and the weighted average number of unvested shares of participating restricted stock. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares that may be issued by the Company relate to unexercised outstanding stock options.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Not Yet Effective Accounting Standards

In June 2016, FASB issued guidance to replace incurred loss model with an expected loss model, which is referred to as current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in certain leases recognized by a lessor. In addition, the amendments in this update require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities. Public business entities that are not SEC filers are required to adopt the new CECL standard for reporting periods beginning after December 15, 2022.

The Company has established a committee to oversee the implementation of ASC 326 and has engaged a third-party software vendor to assist the Company to develop a new expected credit loss model. The Company is currently engaged in implementation activities, including model development documentation and will have a third-party advisor validate the final model. Therefore, the Company has still not determined the final impact of the adoption of this standard.

NOTE 2 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

(Dollars in thousands, except share and per share data)	Income (Numerator)	Shares (Denominator)	Per Share Amount
December 31, 2022			
Shares Outstanding (weighted average)		6,678,033	
Basic earnings per share:			
Net earnings applicable to common stockholders	$ 5,249	6,678,033	$ 0.79
Effect of dilutive securities:			
Unexercised stock option awards	$ -	75,252	
Diluted earnings per share:			
Net income applicable to common stockholders and assumed conversions	$ 5,249	6,753,285	$ 0.78
December 31, 2021			
Shares Outstanding (weighted average)		6,648,320	
Basic earnings per share:			
Net earnings applicable to common stockholders	$ 4,626	6,648,320	$ 0.70
Effect of dilutive securities:			
Unexercised stock option awards	$ -	77,687	
Diluted earnings per share:			
Net income applicable to common stockholders and assumed conversions	$ 4,626	6,726,007	$ 0.69

NOTE 3- INVESTMENT SECURITIES

The amortized cost, estimated fair value of securities available for sale and held to maturity at December 31, 2022 and 2021 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Estimated Losses	Fair Value
At December 31, 2022				
Available for sale:				
Mortgage-backed securities - residential	$ 2,828	-	$ (172)	$ 2,656
Asset-backed securities	2,572	-	(312)	2,260
U.S. Treasury Notes	3,989	-	(121)	3,868
Total securities available for sale	$ 9,389	$ -	$ (605)	$ 8,784
At December 31, 2021				
Available for sale:				
Mortgage-backed securities - residential	$ 3,784	$ 148	$ -	$ 3,932
Total securities available for sale	$ 3,784	$ 148	$ -	$ 3,932

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
At December 31, 2022				
Held to Maturity:				
Corporate Debt Securities	$ 7,258	$ -	$ (877)	6,381
Total securities held to maturity	$ 7,258	$ -	$ (877)	$ 6,381
At December 31, 2021				
Held to Maturity:				
Corporate Debt Securities	$ 7,260	$ 4	$ (10)	$ 7,254
Total securities held to maturity	$ 7,260	$ 4	$ (10)	$ 7,254

Excluding the balances of mortgage-backed securities and asset backed securities, the following table presents the amortized cost and fair values of debt securities available for sale and held to maturity by contractual maturity at December 31, 2022 (in thousands):

	Amortized Cost	Fair Value
Available for sale debt securities		
Due after one year through five years	$ 3,989	$ 3,868
Total	$ 3,989	$ 3,868

	Amortized Cost	Fair Value
Held to maturity debt securities		
Due after five years through ten years	$ 7,258	$ 6,381
Total	$ 7,258	$ 6,381

Actual maturities may differ from contractual maturities in instances where issuers have the right to call or prepay obligations with or without call or prepayment penalties. At December 31, 2022, corporate debt securities with an amortized cost of $7,258 and an estimated fair value of $6,381 were callable prior to the maturity date.

The estimated fair value and unrealized losses for securities available for sale at December 31, 2022 and 2021, segregated by duration of the unrealized losses, are as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
At December 31, 2022						
Available for sale:						
Mortgage-backed securities - residential	$ 2,656	$ (172)	$ -	$ -	$ 2,656	$ (172)
Asset-backed securities	2,260	(312)	-	-	2,260	(312)
U.S. Treasury Notes	3,868	(121)	-	-	3,868	(121)
Total securities available for sale	$ 8,784	$ (605)	$ -	$ -	$ 8,784	$ (605)
At December 31, 2021						
Available for sale:						
Mortgage-backed securities - residential	$ -	$ -	$ -	$ -	$ -	$ -
Total securities available for sale	$ -	$ -	$ -	$ -	$ -	$ -

The estimated fair value and unrecognized losses for securities held to maturity at December 31, 2022 and 2021, segregated by duration of the unrecognized losses, are as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Estimated Fair Value	Unrecognized Loss
At December 31, 2022						
Held to Maturity:						
Corporate Debt Securities	$ 2,772	$ (228)	$ 3,609	$ (649)	$ 6,381	$ (877)
Total securities held to maturity	$ 2,772	$ (228)	$ 3,609	$ (649)	$ 6,381	$ (877)
At December 31, 2021						
Held to Maturity:						
Corporate Debt Securities	$ 4,250	$ (10)	$ -	$ -	$ 4,250	$ (10)
Total securities held to maturity	$ 4,250	$ (10)	$ -	$ -	$ 4,250	$ (10)

The Company concluded there was no impairment at December 31, 2022 based on consideration of several factors. The Company noted that each issuer made all the contractually due payments when required. There were no defaults on principal or interest payments, and no interest payments were deferred. Based on management's analysis of each individual security, the issuers appear to have the ability to meet debt service requirements over the life of the security. Furthermore, the change in net unrealized losses were primarily due to changes in the general credit and interest rate environment and not credit quality.

The Company had one security pledged at year end 2022 and 2021 with a fair value of $422 and $591 respectively. During the year ended December 31, 2022, the Company did not transfer any securities between available for sale and held to maturity designations.

There were no securities sold in the years ended December 31, 2022, and 2021.

NOTE 4 – LOANS

Loans receivable, net at December 31, 2022 and 2021 consisted of the following (in thousands):

	December 31,	
	2022	2021
Residential real estate	$ 249,192	$ 174,814
Commercial real estate		
Nonresidential	192,892	164,953
Multi-family	51,684	40,917
Commercial Business	14,344	42,707
Home equity loans and lines of credit	597	2,041
Consumer	121	320
Total loans receivable	508,830	425,752
Deferred loan costs, net	3,762	2,353
Allowance for loan losses	(5,860)	(5,869)
Total loans receivable, net	$ 506,732	$ 422,236

The Bank's eligible mortgage loans are pledged to secure FHLB advances. The Bank had pledged $124 million and $120 million of eligible mortgage loans to secure FHLB advances at December 31, 2022 and 2021, respectively.

Risk characteristics of the Company's portfolio segments include the following:

Residential Real Estate Loans- Owner occupied loans secured by residential real estate properties are no longer offered by the Company but are held in the loan portfolio. Loans to investors of residential real estate properties, however, are still offered. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Nonresidential Real Estate Loans – In underwriting commercial real estate loans, the Company evaluates both the prospective borrower's ability to make timely payments on the loan and the value of the property securing the loan. Repayment of such loans may be negatively impacted should the borrower default or should there be a substantial decline in the value of the property securing the loan, or a decline in general economic conditions. Where the owner occupies the property, the Company also evaluates the business's ability to repay the loan on a timely basis. In addition, the Company may require personal guarantees, lease assignments and/or the guarantee of the operating company when the property is owner occupied. These types of loans may involve greater risks than other types of lending because payments on such loans are often dependent on the successful operation of the business involved, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions affecting the borrowers' business.

Multi-family Real Estate Loans - In underwriting multifamily real estate loans, the Company evaluates both the prospective borrower's ability to make timely payments on the loan and the value of the property securing the loan. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Commercial Business Loans – The Company's commercial and industrial loan portfolio consists primarily of commercial business loans and lines of credit to businesses and professionals. These loans are usually made to finance the purchase of inventory, new or used equipment or other short- or long-term working capital purposes. These loans are generally secured by corporate assets, often with real estate as secondary collateral, but are also offered on an unsecured basis. In granting this type of loan, the Company primarily looks to the borrower's cash flow as the source of repayment with collateral and personal guarantees, where obtained, as a secondary source. Commercial loans are often larger and may involve greater risks than other types of loans offered by the Company. Payments on such loans are often dependent upon the successful operation of the underlying business involved and, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions, management's inability to effectively manage the business, claims of others against the borrower's assets which may take priority over the Company's claims against assets, death or disability of the borrower or loss of market for the borrower's products or services.

The Company also originated Paycheck Protection Program (PPP) and Small Business Administration (SBA) loans to businesses within its lending market. PPP loans are 100% guaranteed by the SBA as to the principal and interest. Within this loan segment the Bank has $328 thousand and $25.8 million for December 31, 2022, and 2021 respectively. SBA loans are underwritten substantially similar to commercial business loans discussed above and also in accordance with the SBA's guidelines and

Standard Operating Procedure. A percentage, (50-85%) of each SBA loan is guaranteed by the SBA and the full faith and credit of the United States. The Company from time to time may sell the guaranteed portion of these loans into the secondary market.

Home Equity Loans – Home equity loans secured by residential real estate properties are no longer offered by the Company but are held in the loan portfolio. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

An analysis of the allowance for loan losses for the years ended December 31, 2022 and 2021 is as follows (in thousands):

	At or For the Year Ended December 31,	
	2022	2021
Balance at beginning of year	5,869	5,453
(Benefit) Provision charged to operations	(79)	670
Charge-offs	(8)	(264)
Recoveries	78	10
Balance at end of year	$ 5,860	$ 5,869

	Residential real estate	Nonresidential	Multi-family	Commercial Business	Home equity loans and lines of credit	Consumer Other	Unallocated	Total
For the year ended December 31, 2022								
Allowance for loan losses:								
Balance at beginning of year	$ 2,226	$ 1,830	$ 487	$ 807	$ 2	$ -	$ 517	$ 5,869
Provision(Benefit) charged to operations	289	(127)	4	(189)	-	$ 13	(69)	(79)
Charge-offs	-	-	-	-	-	(8)	-	(8)
Recoveries	-	-	-	78	-	-	-	78
Balance at end of year	$ 2,515	$ 1,703	$ 491	$ 696	$ 2	$ 5	$ 448	$ 5,860
For the year ended December 31, 2021								
Allowance for loan losses:								
Balance at beginning of year	$ 2,245	$ 1,446	$ 422	$ 767	$ 2	$ -	$ 571	$ 5,453
(Benefit)Provision charged to operations	(19)	384	65	294	-	-	(54)	670
Charge-offs	-	-	-	(254)	-	-	-	(254)
Recoveries	-	-	-	-	-	-	-	-
Balance at end of year	$ 2,226	$ 1,830	$ 487	$ 807	$ 2	$ -	$ 517	$ 5,869

The following table presents an analysis of the allowance for loan losses for the years ended December 31, 2022, and 2021, the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2022 and 2021 (in thousands):

	Residential real estate	Nonresidential	Multi-family	Commercial Business	Home equity loans and lines of credit	Consumer Other	Unallocated	Total
For the year ended December 31, 2022								
Allowance for loan losses:								
Ending allowance balance attributed to loans:								
Individually evaluated for impairment	$ -	$ -	$ -	$ 174	$ -	$ -	$ -	$ 174
Collectively evaluated for impairment	2,515	1,703	491	522	2	5	448	5,686
Total ending allowance balance	$ 2,515	$ 1,703	$ 491	$ 696	$ 2	$ 5	$ 448	$ 5,860
Loans:			-					
Loans individually evaluated for impairment	$ 658	$ 1,650	$ -	$ 965	$ 323	$ -	$ -	$ 3,596
Loans collectively evaluated for impairment	248,534	191,242	51,684	13,379	274	121		505,234
Total ending loan balance	$ 249,192	$ 192,892	$ 51,684	$ 14,344	$ 597	$ 121	$ -	$508,830
For the year ended December 31, 2021								
Allowance for loan losses:								
Ending allowance balance attributed to loans:								
Individually evaluated for impairment	$ -	$ 323	$ -	$ 252	$ -	$ -	$ -	$ 575
Collectively evaluated for impairment	2,226	1,507	487	555	2	-	517	5,294
Total ending allowance balance	$ 2,226	$ 1,830	$ 487	$ 807	$ 2	$ -	$ 517	$ 5,869
Loans:			-					
Loans individually evaluated for impairment	$ 1,858	$ 3,874	$ -	$ 1,453	$ 95	$ -	$ -	$ 7,280
Loans collectively evaluated for impairment	172,956	161,079	40,917	41,254	1,946	320	-	418,472
Total ending loan balance	$ 174,814	$ 164,953	$ 40,917	$ 42,707	$ 2,041	$ 320	$ -	$425,752

A summary of impaired loans as of December 31, 2022, and 2021 is as follows (in thousands):

	At or For the Year Ended December 31,	
	2022	2021
Impaired loans with no allocated allowance for loan losses	$ 2,962	$ 6,473
Impaired loans with allocated allowance for loan losses	634	807
	$ 3,596	$ 7,280
Amount of the allowance for loan losses allocated	$ 174	$ 575

The company defines an impaired loan as a non-accrual loan for which it is probable, based on current information, that the Company will not collect all amounts due under the contractual terms of the loan agreement. Impaired loans also include all loans modified as troubled debt restructurings. At December 31, 2022 the impaired loan portfolio totaled $3.6 million, for which there was a $174,000 specific allocation in the allowance for loan losses. At December 31, 2021, the impaired loan portfolio totaled $7.3 million, for which there was a $575,000 specific allocation in the allowance for loan losses. The average balance of impaired loans for the years ended December 31, 2022, and 2021 was $3.7 and $6.0 million, respectively.

At December 31, 2022 impaired loans included troubled debt restructured ("TDR") loans of $559,000 of which $454,000 were performing in accordance with their restructured terms for a minimum of six months and were accruing interest. At December 31, 2021 impaired loans included troubled debt restructured loans of $2.5 million, of which $1.8 million were performing in accordance with their restructured terms. There were no loans modified and classified as troubled debt restructurings during the year ended December 31, 2022 or 2021.

The summary of loans individually evaluated for impairment by loan portfolio segment as of December 31, 2022 and 2021 is as follows (in thousands):

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
At December 31, 2022			
With no related allowance recorded			
Residential real estate	$ 659	$ 658	$ -
Nonresidential	1,650	1,650	-
Commercial Business	480	331	-
Home Equity Loans	323	323	-
	$ 3,112	$ 2,962	$ -
With an allowance recorded			
Residential real estate	$ -	$ -	$ -
Nonresidential	-	-	-
Commercial Business	648	634	174
Home Equity Loans	-	-	-
	$ 648	$ 634	$ 174
At December 31, 2021			
With no related allowance recorded			
Residential real estate	$ 1,858	$ 1,858	$ -
Nonresidential	3,549	3,549	-
Commercial Business	971	971	-
Home Equity Loans	95	95	-
	$ 6,473	$ 6,473	$ -
With an allowance recorded			
Residential real estate	$ -	$ -	$ -
Nonresidential	325	325	323
Commercial Business	482	482	252
Home Equity Loans	-	-	-
	$ 807	$ 807	$ 575

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes all loans, regardless of the outstanding balance, and non-homogenous loans, such as commercial and commercial real estate loans. This analysis is performed on an ongoing basis and results are reviewed each month. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves managements close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institutions credit positions at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following tables present key indicators of credit quality regarding the Company's loan portfolio based upon loan classification and contractual payment status at December 31, 2022 and 2021, (in thousands):

	Residential real estate	Nonresidential	Multi-family	Commercial Business	Home equity loans and lines of	Consumer Other	Total
At December 31, 2022							
Pass	$ 248,011	$ 190,615	$ 51,684	$ 12,875	$ 274	$ 121	$ 503,580
Classified							
Special mention	523	627	-	504	-	-	1,654
Substandard	658	1,650	-	965	323	-	3,596
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total classified loans	$ 1,181	$ 2,277	$ -	$ 1,469	$ 323	$ -	$ 5,250
Total Loans	$ 249,192	$ 192,892	$ 51,684	$ 14,344	$ 597	$ 121	$ 508,830
At December 31, 2021							
Pass	$ 172,625	$ 159,707	$ 40,917	$ 41,114	$ 1,946	$ 320	$ 416,629
Classified							
Special mention	933	1,674	-	83	-	-	2,690
Substandard	1,256	3,572	-	1,502	95	-	6,425
Doubtful	-	-	-	8	-	-	8
Loss	-	-	-	-	-	-	-
Total classified loans	$ 2,189	$ 5,246	$ -	$ 1,593	$ 95	$ -	$ 9,123
Total Loans	$ 174,814	$ 164,953	$ 40,917	$ 42,707	$ 2,041	$ 320	$ 425,752

The following table presents the aging of the recorded investment in past due loans as of December 31, 2022, and 2021 by loan portfolio segment (in thousands):

	Residential real estate	Nonresidential	Multi-family	Commercial Business	Home equity loans and lines of credit	Consumer Other	Total
At December 31, 2022							
Current:	$ 248,534	$ 192,759	$ 51,684	$ 13,496	$ 274	$ 121	$ 506,867
Past due:							
30-59 days	-	134	-	81	228	-	443
60-89 days	-	-	-	-	-	-	-
90 days and over still accruing	-	-	-	-	-	-	-
Nonaccrual	658	-	-	767	95	-	1,520
Total past due	$ 658	$ 134	$ -	$ 848	$ 323	$ -	$ 1,963
Total Loans	$ 249,192	$ 192,892	$ 51,684	$ 14,344	$ 597	$ 121	$ 508,830
At December 31, 2021							
Current:	$ 174,156	$ 164,394	$ 40,917	$ 41,552	$ 1,946	$ 320	$ 423,285
Past due:							
30-59 days	-	234	-	190	-	-	424
60-89 days	-	-	-	99	-	-	99
90 days and over still accruing	-	-	-	-	-	-	-
Nonaccrual	658	325	-	866	95	-	1,944
Total past due	$ 658	$ 559	$ -	$ 1,155	$ 95	$ -	$ 2,467
Total Loans	$ 174,814	$ 164,953	$ 40,917	$ 42,707	$ 2,041	$ 320	$ 425,752

If interest income on non-accrual loans had been current in accordance with their original terms, approximately $173,000 and $462,000 of interest income for the years ended December 31, 2022, and 2021, respectively, would have been recorded.

The Bank has extended credit to various directors, senior officers, and their affiliates. A transaction with related parties is conducted on terms equivalent to those prevailing in an arm's-length transaction. Loans to related parties totaled $1.8 million and $2.2 million for December 31, 2022, and 2021 respectively.

NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2022 and December 31, 2021 are summarized as follows (in thousands):

	December 31, 2022	December 31, 2021
	(In thousands)	
Land	$ -	$ 193
Furniture, fixtures, and equipment	1,911	2,720
Bank Premises	-	2,018
Leasehold Improvements	6,862	4,809
	8,773	9,740
Less: accumulated depreciation and amortization	(2,564)	(3,313)
Total premises and equipment, net	$ 6,209	$ 6,427

On June 24, 2022 the Company transferred land, furniture, fixtures and bank premises totaling $1.6 million to Wallkill Valley Federal Savings and Loan, in conjunction with the sale of the Company's Newburgh location.

Depreciation expense was $884 thousand and $758 thousand for 2022 and 2021, respectively.

NOTE 6 – DEPOSITS

The following is a summary of deposit balances at December 31, 2022 and December 31, 2021.

	December 31, 2022	December 31, 2021
Non-interest Demand deposit accounts	$ 129,641	$ 149,392
Interest Demand deposits	35,401	31,484
Money market accounts	6,685	9,623
Regular savings accounts	106,574	165,718
Certificates of Deposit	171,497	77,468
Total	$ 449,798	$ 433,685

The following summarizes certificates of deposit by remaining term to contractual maturity at December 31, 2022 (in thousands).

Under one year	$ 100,263
One year to under two years	43,020
Two years to under three years	17,506
Three years to under four years	10,607
Four years to under five years	101
Total Certificates of Deposit	171,497

Certificates of deposit of $250 thousand or more totaled $42.4 million and $20.1 million at December 31, 2022 and December 31, 2021, respectively. The Company utilizes brokered deposits. As of December 31, 2022, and 2021, $40.6 million and $10.0 million, respectively, of brokered deposits were included in certificates of deposit.

Deposits from directors, senior officers and their affiliates were approximately $12.9 million and $12.6 million at December 31, 2022 and December 31, 2021, respectively.

NOTE 7 – BORROWINGS

FHLB borrowings are summarized as follows (in thousands):

	December 31, 2022		December 31, 2021	
	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate
By remaining period to maturity				
Less than one year	49,900	4.72%	-	-
One to two years	5,000	1.85%	5,000	1.85%
Two to three years	10,000	1.11%	10,000	1.11%
Total advances	**64,900**	**3.94%**	**15,000**	**1.35%**

Borrowings at December 31, 2022 included overnight borrowings totaling $8.6 million. All FHLB advances are secured by the Bank's residential and nonresidential mortgage loans and FHLB stock. As a member of the FHLB of New York, the Bank is required to maintain a minimum investment in capital stock of the FHLB, at cost, in an amount equal to 0.125% of the Bank's mortgage-related assets, plus 4.5% of the specified value of certain transactions between the Bank and the FHLB.

NOTE 8 – SUBORDINATED NOTE

The Company issued a $14.0 million subordinated note during the year ended December 31, 2020. The proceeds of this issuance were partially utilized to pay off a $7.5 million line of credit. In addition, the Company invested $4.0 million into the Bank to build Tier 1 Capital and retained approximately $2.0 million to provide an interest reserve to service the new debt. The debt carries a term and interest rate of 10 years and 6.0%, respectively, and is fixed for the first five years and then becomes floating at the three-month term Secured Overnight Financing Rate ("SOFR") plus 579 basis points. The debt is callable at par on October 30, 2025 and has a final maturity of October 30, 2030. As of December 31, 2022 the subordinated note, net of issuance costs, totaled $13.7 million compared to $13.6 million for December 31, 2021.

NOTE 9- INCOME TAXES

The Components of income tax expense are as follows for the years ended December 31, 2022, and 2021

(In thousands)	2022	2021
Current		
Federal tax expense	$ 1,378	$ 883
State and Local tax expense	152	-
Total current expense	1,530	883
Deferred		
Federal tax expense	68	402
State and Local (benefit) expense	(426)	522
Total deferred tax (benefit) expense before valuation allowance	(358)	924
Valuation Allowance	375	(522)
Total tax expense	$ 1,547	$ 1,285

The following is a summary of the differences between the statutory federal income tax rate and the effective tax rates for the years ended December 31, 2022 and 2021

	2022	2021
Federal income tax at statutory rate	21%	21%
Computed "expected" federal tax expense at statutory rate	$ 1,427	$ 1,241
Increase (decrease) in federal income tax expense resulting from:		
State income taxes, net of federal benefit	11	(29)
Adjustment to deferred items	(289)	387
Other permanent items	23	207
Valuation Allowance	375	(522)
Total tax expense	$ 1,547	$ 1,285

The tax effects of existing temporary differences that give rise to deferred income tax assets and liabilities are as follows:

YEARS ENDED DECEMBER 31,	**2022**	**2021**
	(In Thousands)	
Deferred tax assets:		
Net operating loss carry forwards	$ 2,684	$ 2,275
ROU liability	2,315	1,833
Reserve for loan loss	1,912	1,868
Unrealized loss AFS securities	138	-
Other	196	328
	7,245	6,304
Less: Valuation Allowance	(2,333)	(1,958)
	$ 4,912	$ 4,346
Deferred tax liabilities:		
ROU asset	$ (2,242)	$ (1,770)
Depreciation	(1,685)	(1,366)
Deferred loan costs	(1,290)	(1,638)
Goodwill	(190)	(185)
Unrealized gain on AFS securities	-	(31)
	(5,407)	(4,990)
Net deferred income tax liability	$ (495)	$ (646)

The Company has various New York state and local NOL carryforwards which will begin to expire in the year ending December 31, 2025.

The Company has recorded a federal deferred tax asset that, based upon an analysis of the evidence, it expects such federal deferred tax asset to be realizable. The federal deferred tax asset is included other liabilities on the balance sheet. Due to the change in New York State tax legislation passed in 2014, and New York City in 2015, the Company has been generating New York State and City losses and it is more likely than not the Company will continue to generate New York tax losses in future years. Therefore, the Company calculates its New York State and City tax liability on the basis of average equity capital or a minimum filing fee. Consequently, the Company has recorded a valuation allowance against its net New York State and City deferred tax assets as of December 31, 2022 and 2021, as it is unlikely these deferred tax assets will impact the Company's New York State or City tax liability in future years.

There were no significant unrecognized tax benefits at December 31, 2022 and the Company does not expect any significant increase in unrecognized tax benefits in the next twelve months.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Loan origination commitments and lines of credit are contractual agreements to lend to customers within specified time periods at interest rates and on other terms specified in the agreements. These financial instruments involve elements of credit risk and interest rate risk in addition to the amounts for funded loans recognized in the balance sheet. The contractual amounts of commitments and lines of credit represent the Bank's maximum potential exposure to credit loss (assuming that the agreements are fully funded, and any collateral proves to be worthless), but do not represent future cash requirements since certain agreements may expire without being fully funded. Loan commitments generally have fixed expiration dates (ranging up to three months) or other termination clauses and may require the payment of a fee by the customer.

The contractual amounts of financial instruments with off-balance sheet credit risk at December 31, 2022 and 2021 are as follows:

(In thousands)	2022	2021
Commitments to originate loans	$ 61,874	$ 18,744
Unused lines of credit	9,836	10,066
Standby letters of credit	159	159
	$ 71,869	$ 28,969

NOTE 11 – LEASES

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company's leases are comprised of real estate property for banking centers and office space with terms extending through 2035.

As of December 31, 2022, the weighted-average remaining lease term for operating leases was 9.4 years and the weighted average discount rate used in the measure of operating lease liabilities was 2.30%. By comparison at December 31, 2021, the weighted average remaining lease term for operating leases was 10.2 years with a weighted average discount rate used in the measure of operating lease being 2.36%,

The Company includes lease extensions and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. The Company has elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's balance sheet.

Total operating lease costs for the years ended December 31, 2022 and 2021 was $1.1 million and $885 thousand, respectively.

A maturity analysis of operating lease liabilities at December 31, 2022 and 2021 is as follows:

	December 31	
For the Year Ending December 31,	2022	
2023	$	961
2024		910
2025		874
2026		872
2027		858
Thereafter		3,402
Total undiscounted lease payments	$	7,877
Less: Imputed interest		784
Net Lease Liabilities	$	7,093

NOTE 12 - STOCK-BASED COMPENSATION PLANS AND EMPLOYEE BENEFITS

The shareholders of the Company approved the ES Bancshares, Inc. 2022 Equity Incentive Plan (the "2022 Equity Plan") on May 26, 2022, which is in addition to the ES Bancshares, Inc. 2014 Equity Incentive Plan (the "2014 Equity Plan"), (collectively called the "Equity Incentive Plans"). Under the Equity Incentive Plans the Company may grant options and restricted stock to its directors, officers, and employees. Both incentive stock options and non-qualified stock options may be granted under the Equity Incentive Plans, with 233,100 and 331,000 shares reserved for options under the 2022 Equity Plan and 2014 Equity Plan, respectively. The exercise price of each option equals the market price of the Company's stock on the date of grant and the maximum term of each option is ten years. The number of shares reserved for restricted stock is 99,900 under the 2022 Equity Plan. The 2014 Equity Plan did not allow for restricted stock. The value of restricted stock grants is based on the market price of the stock on grant date. Options and awards vest immediately for Directors and ratably over 3 to 5 years for all other participants. The Company has elected to recognize forfeitures of awards as they occur.

Stock Options

The fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

- Expected volatility is based on historical volatility of the Company's common stock price.
- Expected life represents the period of time that the option is expected to be outstanding, taking into account the contractual term, and the vesting period.
- The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant

The fair value of options granted was determined using the following weighted-average assumptions as of grant date.

	2022
Expected volatility	8.38%
Expected life (years)	10
Risk Free interest rate	2.97%
Fair value per option	$1.44

A summary status of the Company's stock option grants for the year ended December 31, 2022 is presented in the table below:

	Stock Option Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2022	321,500	$ 3.52		
Granted	177,700	5.25		
Forfeited	(23,000)	3.82		
Exercised	(30,000)	3.62		
Outstanding at December 31, 2022	446,200	$ 4.18	5.8	243,870
Vested and Exercisable at December 31, 2022	320,250	$ 3.78	4.4	243,870
Unrecognized compensation cost	$ 201,348			
Weighted average remaining recognition period (years)	4.25			

Total Expense for the stock options was $30,000 and $25,194 for the years ended December 31, 2022 and 2021, respectively. The intrinsic value of options exercised was $19,800. There were no options exercised during the years ended December 31, 2021.

Restricted Stock

Shares issued upon the granting of restricted stock come from authorized but unissued. Any shares forfeited because vesting requirements are not met will again be available for issuance under the Equity Plan. The fair market value of shares awarded, based on the market prices at the date of grant, is recognized as compensation expense over the applicable vesting period.

The following table presents the activity in unvested restricted stock awards under the 2022 Equity Plan for the year ended December 31, 2022:

	Number of Shares	Weighted Average Grant Price
Unvested restricted stock awards at May 26, 2022 plan approval date		
Granted	49,000	$ 5.25
Forfeited	(1,000)	$ 5.25
Vested	-	
Unvested restricted stock awards at December 31, 2022	48,000	$ 5.25
Unrecognized compensation cost	$ 243,667	
Weighted average remaining recognition period (years)	3.8	

Total Expense for the restricted stock awards was $13,583 for the year ended December 31, 2022.

401(k) Plan

The Company sponsors a 401(k) plan. All employees are eligible to join the 401(k) plan. A plan was adopted by the Company effective January 1, 2005 and under the plan the Company matches 100% of the employee contribution up to 2% of compensation. In addition, the Company may make a discretionary contribution to the 401(k) plan determined on an annual basis. Employees may contribute up to 15% of their salary subject to certain limits based on federal tax limits. The expense recognized under the 401(k) plan was $107,370 and $94,423 for the years ended December 31, 2022 and 2021 respectively.

NOTE 13 - FAIR VALUE

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sale transaction on the dates indicated. The fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

In accordance with U.S. GAAP, the Company uses a hierarchical disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by the hierarchy are as follows:

> Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reported date.
>
> Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these asset and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.
>
> Level 3 - Assets and liabilities that have little to no pricing observability as of reported date. These items do not have two-way markets and are measured using management's best estimate of market participants' estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

An asset's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fair Values of Assets Measured on a Recurring Basis

The Company's available for sale investment securities are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurement considers observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the securities' terms and conditions, among other things. From time to time, the Company validates pricing supplied by the independent pricing service by comparison to prices obtained from third-party sources.

Fair Values of Assets Measured on a Nonrecurring Basis

Certain impaired loans were adjusted to fair value, less cost to sell, of the underlying collateral securing these loans resulting in losses. The loss is not recorded directly as an adjustment to current earnings, but rather as a component in determining the allowance for loan losses. Fair value was measured using appraised values of collateral and adjusted as necessary by management.

The following table summarizes financial assets measured at fair value as of December 31, 2022 and 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	Fair Value Measurements at Reporting Date Using:			
	Total Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2022				
Items measured on a recurring basis:				
Securities available for sale	$ 8,784	-	$ 8,784	-
Items measured on a nonrecurring basis:				
Loans measured for impairment based on the fair value of the underlying collateral (1)	$ 437	-	-	$ 437
December 31, 2021				
Items measured on a recurring basis:				
Securities available for sale	$ 3,932	-	$ 3,932	-
Items measured on a nonrecurring basis:				
Loans measured for impairment based on the fair value of the underlying collateral (1)	$ 1,130	-	-	$ 1,130

(1) Primarily consists of commercial loans, which are collateral dependent and valued utilizing the sales comparison approach. The amounts are based on independent appraisals, which may be adjusted by management for qualitative factors such as economic factors and estimated liquidation expenses. For December 31, 2022 the weighted average was 6% ranging from 6% to 7% and for and December 31, 2021 the weighted average was 18% ranging from 10% to 87% on the discount for costs to sell.
Impaired loans measured at fair value at December 31, 2022 and December 31, 2021 had a book value of $611 thousand, with a valuation allowance of $174 thousand and $1.7 million, with a valuation allowance of $575 thousand, respectively.

Assets and Liabilities disclosed at Fair Value

A description of the valuation methodologies used for assets and liabilities disclosed at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Cash and cash equivalents
For cash and cash equivalents, the carrying amount approximates fair value.

Debt securities Held to Maturity
Debt securities classified as held to maturity are carried at amortized cost, as the Company has the positive intent and ability to hold these debt securities to maturity. The Company determines the fair value of the debt securities utilizing Level 2 and, infrequently, Level 3 inputs. Most of the Company's debt securities are fixed income instruments that are not quoted on an exchange but are bought and sold in active markets. Prices for these instruments are obtained through third-party pricing vendors or security industry sources that actively participate in the buying and selling of debt securities.

Investment in restricted stock
The fair value of Federal Home Loan Bank of New York, Federal Reserve Bank stock, and Atlantic Community Bankers Bank is its carrying value since this is the amount for which it could be redeemed. There is no active market for this stock and the Company is required to maintain a minimum investment as stipulated by the respective entities.

Loans Receivable
Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential real estate, consumer and commercial. Each loan category is further segmented into fixed and adjustable rate interest terms.

Deposits other than Time Deposits
The fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, savings interest-bearing checking accounts, and money market accounts is, by definition, equal to the amount payable on demand. The related insensitivity of the majority of these deposits to interest rate changes creates a significant inherent value which is not reflected in the fair value reported.

Time Deposits
The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities

FHLB Advances and Other Borrowings
Fair value estimates are based on discounting contractual cash flows using rates which approximate the rates offered for borrowings of similar remaining maturities.

The book value and estimated fair value of the Company's significant financial instruments not recorded at fair value as of December 31, 2022 and 2021 are presented in the following table (in thousands):

		Fair Value Measurements at Reporting Date Using:		
	Book Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2022				
Financial Assets				
Cash and cash equivalents	$ 38,115	$ 38,115	-	-
Debt securities held to maturity	$ 7,258	-	$ 6,381	-
Investment in restricted stock	$ 4,779	-	-	$ 4,779
Loans receivable, net	$ 506,732	-	-	$ 487,423
Financial Liabilities				
Deposits other than time deposits	$ 278,301	-	$ 279,053	-
Time deposits	$ 171,497	-	$ 173,489	-
FHLB advances and other borrowings	$ 64,900	-	-	$ 64,010
December 31, 2021				
Financial Assets				
Cash and cash equivalents	$ 59,078	$ 59,078	-	-
Debt securities held to maturity	$ 7,260	-	$ 7,254	-
Investment in restricted stock	$ 2,502	-	-	$ 2,502
Loans receivable, net	$ 422,236	-	-	$ 409,783
Financial Liabilities				
Deposits other than time deposits	$ 356,217	-	$ 360,257	-
Time deposits	$ 77,468	-	$ 77,459	-
FHLB advances and other borrowings	$ 15,169	-	-	$ 15,156

Limitations
Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because a limited market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other significant unobservable inputs. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include premises and equipment, bank owned life insurance, deferred taxes and goodwill. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

NOTE 14- REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administrated by the federal banking agencies. Under the regulations in effect at December 31, 2022, the Bank was required to maintain a minimum ratio of Tier 1 capital to total average assets of 4.0%; a minimum ratio of common equity Tier 1 capital to risk-weighted assets of 7.0%; a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5%; and a minimum ratio of total (core and supplementary) capital to risk weighted assets of 10.5%. These ratios include the impact of the required 2.50% capital conservation buffer.

Under the regulatory framework for prompt corrective action, federal regulators are required to take certain supervisory action (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on an institution's financial statements. The regulations establish a framework for the classification of banking institutions into five categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Generally, an institution is considered well-capitalized if it has a Tier 1 ratio of 5.0%; a common equity Tier 1 risk based ratio of at least 6.5%; a Tier 1 risk-based ratio of at a least 8.0%; and a total risk-based capital ratio of at least 10.0%. At December 31, 2022 and 201, the Bank exceed all regulatory capital requirements currently applicable.

The following table presents the regulatory capital, assets and risk-based capital ratios for the Bank:

	Bank Actual		Minimum Capital Adequacy			Classification as Well Capitalized	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
December 31, 2022:			(Dollars in thousands)				
Tier I (core) capital to Average Assets	$ 56,473	10.1 %	$ 22,336	4.0 %		$ 27,921	5.0 %
Common Equity Tier 1 (to risk-weighted assets)	56,473	14.2	27,750	7.0	(1)	25,768	6.5
Tier 1 Capital to Risk (to risk-weighted assets)	56,473	14.2	33,697	8.5	(1)	31,714	8.0
Total Capital (to risk-weighted assets)	61,439	15.5	41,625	10.5	(1)	39,643	10.0
December 31, 2021:							
Tier I (core) capital to Average Assets	$ 50,297	9.9 %	$ 20,336	4.0 %		$ 25,420	5.0 %
Common Equity Tier 1 (to risk-weighted assets)	50,297	15.5	14,651	7.0	(1)	21,163	6.5
Tier 1 Capital to Risk (to risk-weighted assets)	50,297	15.5	19,535	8.5	(1)	26,047	8.0
Total Capital (to risk-weighted assets)	54,389	16.7	26,047	10.5	(1)	32,559	10.0

(1) Includes the Capital Conservation Buffer of 2.50%

The Federal Reserve Bank of New York and the New York State Department of Financial Services regulate the amount of dividends and other capital distributions that the Bank may pay to the Company. All dividends must be paid out of undivided profits and cannot be paid out from capital. In general, if the Bank has undivided profits and satisfies all regulatory capital requirements both before and after a dividend payment, the Bank may pay a dividend to the Company, in any year, equal to the current year's net income plus retained net income for the preceding two years that is still available for dividend.

NOTE 15- BANKING CENTER SALE

On June 24, 2022, the Company completed its previously announced sale of the Newburgh, New York banking center location to Wallkill Valley Federal Savings and Loan ("Wallkill"), pursuant to a purchase and assumption agreement entered on December 23, 2021.

The sale included all banking center premises and equipment, with Wallkill also assuming related operations and the employment of associated staff. The sale involved the assignment of deposits which totaled $67.6 million and loans which totaled $9.6 million as of June 24, 2022. The Company had provided a settlement cash payment of $55.8 million as part of the sale for the assumptions of covered deposit liabilities by Wallkill. The Company recorded a $1.8 million pre-tax gain related to this banking center sale in 2022.

Locations

Offices:

Corporate Headquarters
1441 South Avenue, Suite 705
Staten Island, NY 10314
Phone: 347-592-1940

Administrative Office
2047 Victory Boulevard
Staten Island, NY 10314
Phone: 347-592-1950

Administrative Office
68 North Plan Road
Newburgh, NY 12550
Phone: 866-646-6003

Banking Centers:

Hylan Boulevard
2212 Hylan Boulevard
Staten Island, NY 10306
Phone: 718-351-0590

South Avenue
1441 South Avenue, Suite 101
Staten Island, NY 10314
Phone: 718-303-6915

Victory Boulevard
1698 Victory Boulevard
Staten Island, NY 10314
Phone: 718-303-6900

3rd Avenue
8701 Third Avenue
Brooklyn, NY 11209
Phone: 347-695-9040

18th Avenue
6923 18th Avenue
Brooklyn, NY 11204
Phone: 718-942-3636

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Board of Directors

Andrew G. Finkelstein
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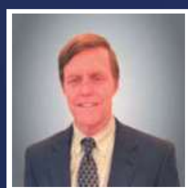
Penda Aiken



Michael O Brien

Gale L. Foster

Michael P. Ostrow

Michael Menicucci

Thomas D. Weddell

Shareholder Contact Information:

BANCSHARES, INC.

ES Bancshares, Inc.
Ticker Symbol: ESBS

Shareholder General Inquiries
Philip Guarnieri
Chief Executive Officer
ES Bancshares, Inc.
1441 South Avenue, Suite 705
Staten Island, NY 10314
(845) 451-7825

Transfer Agent
Pacific Stock Transfer
6725 Via Austi Pkwy Suite 300
Las Vegas, NV 89119
Tel:+1-800-785-7782
E-mail: info@pacificstocktransfer.com
Website: https://pacificstocktransfer.com/contact

Corporate Information
Corporate Office
1441 South Avenue, Suite 705
Staten Island, NY 10314
Telephone: (347) 592-1956
PEdwards@esbna.com www.esbna.com

Independent Auditers
Crowe LLP
488 Madison Avenue, Floor 3
New York, New York 10022-5702
Special Counsel/Washington, D.C.
Luse Gorman P.C.
5335 Wisconsin Avenue, NW Suite 780
Washington, D.C. 20015

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