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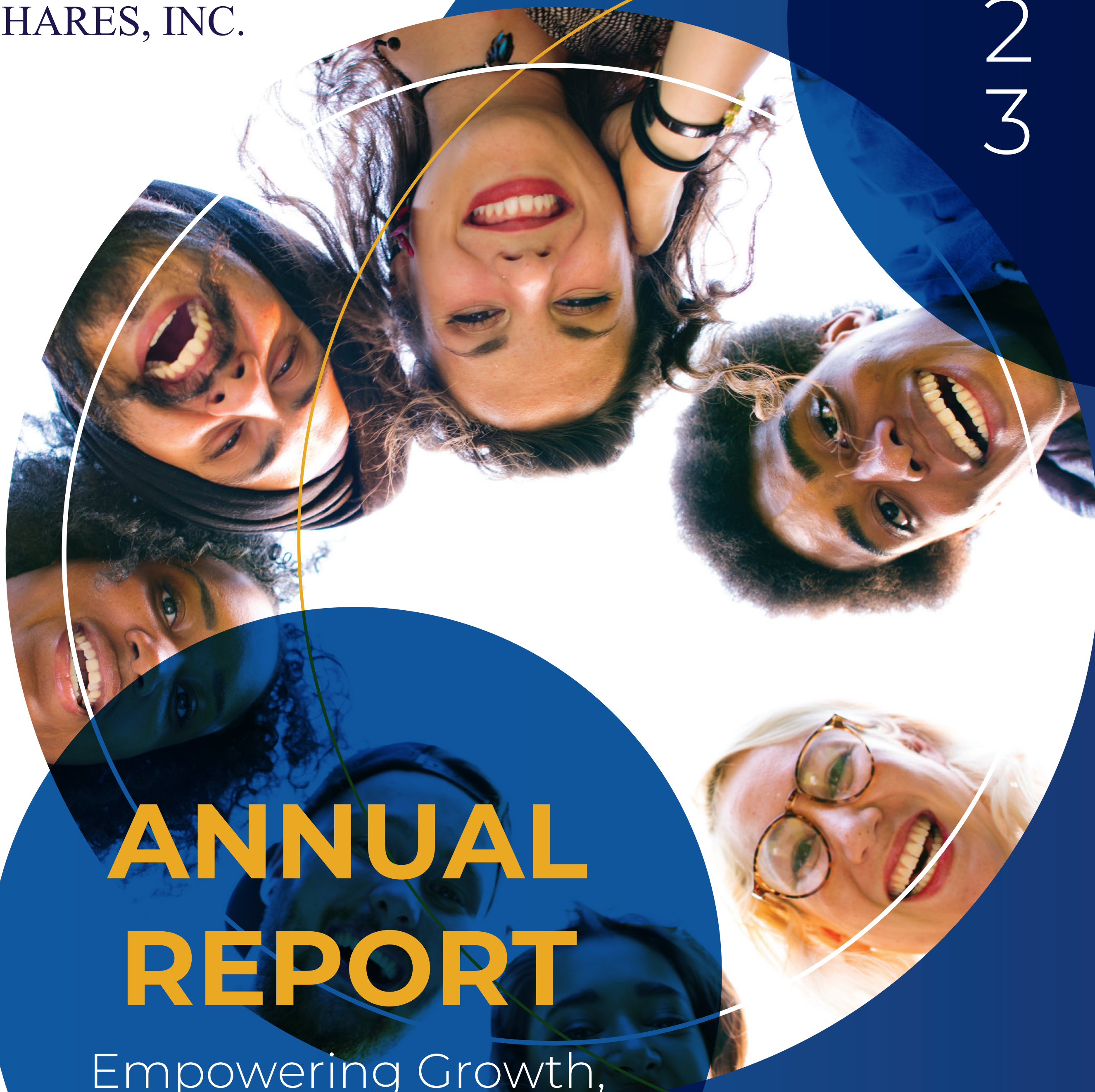
BANCSHARES, INC.

2023



ANNUAL REPORT

Empowering Growth,
Strengthening
Communities

March 27, 2024

Dear fellow shareholder,

2023 was a tumultuous year in banking. We witnessed the rise in interest rates at an unprecedented pace, which caused deposit rates to soar. This also led to a rapid decrease in the value of fixed- interest rate securities and loans. This created a liquidity crunch within the banking industry, and certain mismanaged banks became more vulnerable to deposit outflows. While we were subject to the same market forces as our peers, we positioned the Company to withstand these headwinds. While we reported a decrease in net income, we continued to increase tangible book value and we expanded the breadth of our banking products to help capture more customers.

We believe that customer service is paramount to the success of our Company. We continued to prioritize product and service enhancements, most notably introducing our Edge Concierge Business Banking. This product rewards our business banking customers with preferred rates on deposits and loans, a bevy of free services and a dedicated team trained to handle our customers' relationships in an efficient and seamless manner. This has allowed our Company to continue to grow within its core market by employing a service strategy that differentiates us from competitors and delivers the range of services our local businesses and consumers require.

A major concern for banking customers in 2023 was their level of insured deposits. While the Federal Deposit Insurance Company ("FDIC") provides deposit insurance, it has limitations. Larger customers needed a solution to keep all their deposits FDIC insured. We recognized this gap in FDIC deposit insurance coverage a long time ago and we enrolled in a leading financial institution network that provides additional FDIC insurance for the Bank's customers. We were instantly prepared to provide our customers with additional FDIC deposit insurance. At the end of 2023, the bank had over 82% of our customer deposits insured by the FDIC. This created an opportunity for our Company to assist local customers who faced a shortage of FDIC deposit insurance after their institution had failed. This was a major factor that led to an increase in our deposit base.

More recently the industry has experienced concerns surrounding Commercial Real Estate ("CRE") concentrations and re-pricing risk. Our prudent and conservative underwriting limited our exposure to the types of higher risk commercial real estate loans that other institutions invested in. We also benefited from lending primarily to the outer boroughs of New York City and New Jersey. We continue to report industry low level of delinquencies and non-performing loans. Overall, we believe in growing the loan portfolio in accordance with our strict policy parameters to maintain our better-than-peer credit metrics.

We remain focused on the long-term success and building value of the Company. We saw an 11% increase in the loan portfolio with a 10% increase in its deposit portfolio through the end of 2023. Though the Company's recent returns have been impacted by the current interest rate environment, our current funding mix, and shorter duration, positions the Company to benefit from future interest rate cuts.

Looking ahead to 2024, the Company reaffirms its commitment to prudent management practices, ensuring safety and stability for all shareholders and customers amid difficult economic times. We remain grateful for all the shareholders' support and look forward to collaborative success for years to come.

Sincerely,

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

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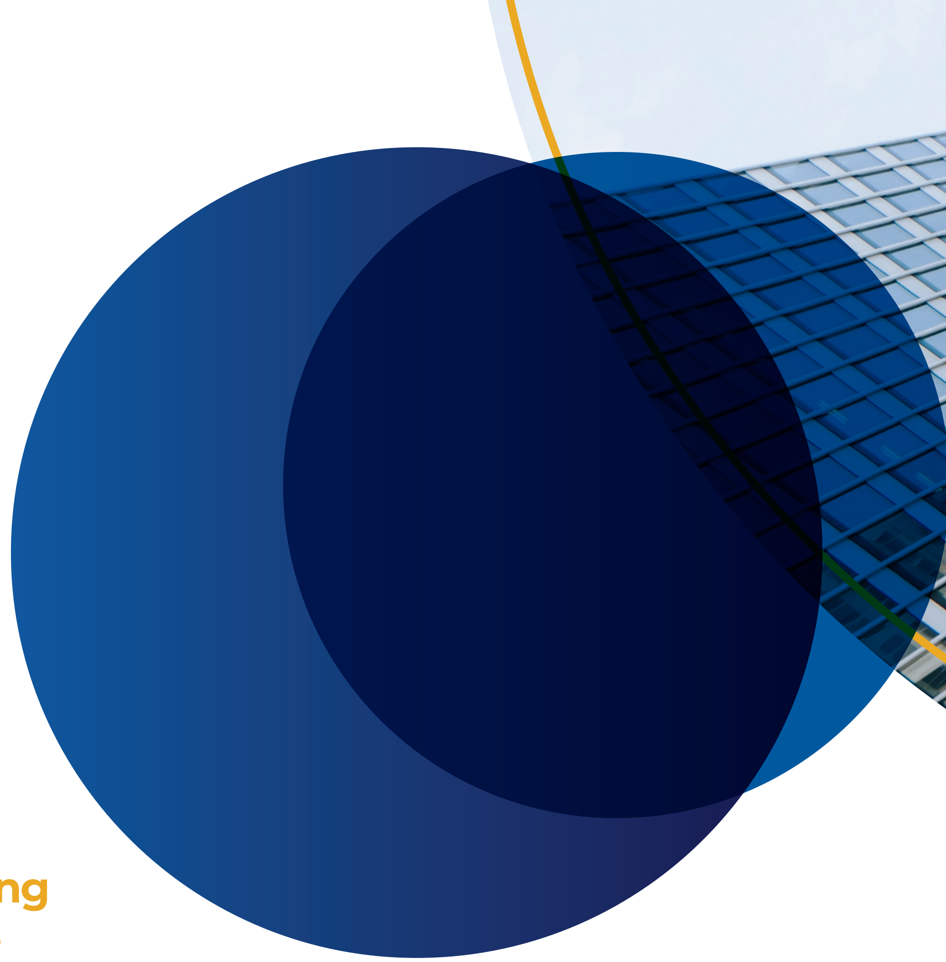
WELCOME TO

EMPIRE STATE BANK



Empowering Growth, Strengthening Communities— Navigating the Financial Landscape Together.

In 2023, amidst a rapidly changing banking landscape, Empire State Bank remained steadfast in its commitment to delivering value and excellence to our customers, clients, communities and shareholders. Building upon our foundation, we continue to navigate the complexities of the financial industry with agility and foresight.

Reflecting on our journey over the past year, we are energized by the progress we've made and the resilience we've demonstrated in the face of evolving challenges. Despite the uncertainties brought about by economic and global events, Empire State Bank maintained its trajectory of success, achieving notable milestones. Our strategic focus on innovation, customer-centricity, and operational efficiency has enabled us to thrive in a competitive environment while staying true to our core values.

Throughout the year, we have remained dedicated to our mission of empowering individuals, businesses, and communities to achieve their financial goals. By leveraging our unique personal banking model and harnessing the power of technology, we have deepened our relationships with existing customers and expanded our footprint in key markets.

The banking landscape in 2023 presented both challenges and opportunities, from regulatory changes to shifting consumer preferences. However, our unwavering commitment to disciplined execution and our relentless pursuit of excellence have positioned us for continued success in the years to come.

As we look ahead, we are excited about the possibilities that lie ahead and the opportunity to make a positive impact in the lives of those we serve. The Empire State Bank team remains dedicated to driving innovation, fostering growth, and creating value for all our stakeholders.

In this report, we invite you to explore in detail how Empire State Bank has continued to deliver on its promise of excellence and innovation, making a meaningful difference in the communities we serve. As we delve into the pages of the Empire State Bank Annual Report for 2023, we extend a warm welcome to all who have joined us on this journey of growth and resilience.

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

VISION

Founded in 2004 by a visionary group of banking professionals and entrepreneurs, Empire State Bank was born from a shared commitment to address the evolving needs of local communities. With a blend of financial expertise and a profound understanding of community dynamics, they embarked on a mission to redefine the banking experience.

From its inception, Empire State Bank has stood as a beacon of personalized service, innovation, and integrity. Our founders envisioned a financial institution that would not only provide superior banking services but also foster deep connections with customers and communities alike. Empire State Bank remains under the steadfast leadership of its original founders. With an enduring commitment to addressing the evolving needs of local communities, our founders continue to guide our mission and vision.

Over the years, Empire State Bank has experienced steady growth, driven by a relentless dedication to enhancing our product offerings and embracing technological advancements. In the ever-evolving landscape of banking, we have remained agile and responsive, continuously striving to exceed the expectations of our clients.

As we look to the future, Empire State Bank is committed to expanding its footprint while staying true to its community-oriented roots. We are poised to launch an extensive community involvement initiative, engaging with consumers and businesses across the regions we serve to build meaningful relationships and drive positive change.

At Empire State Bank, we understand the importance of giving back and making a difference. Through sponsorships, charitable donations, and active participation in local events, we seek to enrich the lives of those around us and contribute to the prosperity of our communities.

As we navigate the complexities of the modern banking landscape, our commitment to trust, integrity, and exceptional service remains unwavering. We are honored to serve our customers and communities, and we look forward to continuing our journey of growth, innovation, and community engagement in the years to come.

MISSION

At the heart of our mission is a deep-seated commitment to enriching the communities we serve.

At Empire State Bank, our commitment to being a community-oriented bank and our motto of "We Take Your Business Personally" continues to guide our every endeavor. As we navigate the ever-evolving banking landscape of 2023, we remain steadfast in our dedication to providing exceptional personalized banking services tailored to meet the unique needs of our customers.

We understand that each customer has distinct financial goals and requirements. That's why we offer a comprehensive range of deposit and lending products designed to address these specific needs. Our experienced banking professionals are here to provide personalized service, offering in-depth knowledge and expertise with a personal touch aimed at helping every business succeed and prosper.

As trusted partners and advisors, we take pride in building long-lasting relationships with our customers and clients. Our team takes the time to understand their unique objectives and challenges, crafting customized solutions to help them thrive in today's competitive landscape. Trust, integrity, and exceptional service are the cornerstones of our approach, ensuring that every interaction with Empire State Bank is characterized by professionalism and care.

Our roots are local and as a community bank, we recognize our responsibility to give back to the communities we serve. We are passionate about supporting local charities, organizations, and events that make a positive impact on the lives of our customers and their neighbors. Our commitment to community involvement is woven into the fabric of our identity, driving us to continually seek ways to contribute to the well-being of those around us.

Our 3 Pillars of Commitment: As a local community bank, we are deeply rooted in the communities we serve. We believe in the power of community and are committed to making a positive impact on the lives of our customers and neighbors. Whether through supporting local charities, volunteering our time, or participating in community events, we strive to be a trusted partner and contributor to the well-being of our community.

Trust and Integrity: Trust is the foundation of every successful relationship, and at Empire State Bank, we take this principle to heart. We are committed to conducting business with the utmost integrity, honesty, and transparency. Our customers can trust us to always act in their best interests, providing sound financial advice and solutions that align with their goals and values.

Personalized Service: We understand that every customer is unique, with distinct financial needs and aspirations. That's why we are dedicated to providing personalized service that goes above and beyond expectations. Whether through tailored financial solutions, attentive support, or meaningful connections, we strive to make every interaction with Empire State Bank a truly exceptional experience.

Innovation and Adaptability: In a rapidly changing banking landscape, innovation and adaptability are key to staying ahead of the curve. At Empire State Bank, we embrace innovation as a means of enhancing our services, improving efficiency, and meeting the evolving needs of our customers. We are committed to embracing new technologies and approaches that enable us to better serve our community and remain at the forefront of the industry.

At Empire State Bank, we offer a full spectrum of banking services, including personal and business accounts, Attorney and Law Firm Banking, Business Financing, and cutting-edge banking technology. Our responsiveness to our customers' needs, coupled with our dedication to innovation, sets us apart in the industry.

As we embark on another year of growth and opportunity, we reaffirm our commitment to our mission of serving the needs of our local community with exceptional personalized banking services. Together with our customers, and with the introduction of EDGE Concierge Business Banking, we look forward to shaping a brighter future for all.

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.

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.

At Empire State Bank, our values are the cornerstone of everything we do. They define who we are as a financial institution and guide us in our mission to provide exceptional banking services and support to our community. As we reflect on the year gone by and look ahead to the future, we reaffirm our commitment to these core values that set us apart from other financial institutions.

Trust:
Our foundation is built on trust, manifesting as positive responsibility for our duties, projects, and outcomes, all while maintaining clear and open lines of communication to set and meet expectations.

Community:
Our dedication extends beyond banking; it's about enriching the communities we serve. Every action we take is designed to contribute positively to their well-being.

Adaptability:
We acknowledge the need to adapt in a dynamic environment to better serve our customers, clients, team members, and shareholders. Flexibility is our ally in their pursuit of success.

Team:
We believe in the power of unity and collaboration, where diverse talents and perspectives combine to achieve extraordinary results. Through effective communication, collaboration, genuine care, and mutual respect, we strive for excellence in all that we do.

As we continue our journey in 2023 and beyond, these values will continue to serve as our guiding principles. They are not just words on a page but a reflection of who we are and what we stand for as a financial institution. Thank you for entrusting us with your financial needs, and we look forward to serving you with excellence, integrity, and dedication.

TRANSFORMING THE WAY YOU BANK

Enhancing Technology

Our commitment to innovation extends beyond our banking centers and we are constantly seeking innovative ways to enhance the banking experience for our valued customers, clients and communities. We are taking this commitment to the next level, revolutionizing the way businesses bank with us. We are excited to introduce our EDGE Concierge Business Banking program.

We are excited to introduce our two new programs: EDGE Concierge Business Banking and Residential Mortgages.

Revolutionizing Business Banking

EDGE Concierge Business Banking

With EDGE Concierge Business Banking we are redefining the way businesses bank with Empire State Bank, providing them with the tools and support they need to achieve their financial goals and prosper in today's competitive environment.

As a community bank deeply rooted in serving local needs, we understand the evolving demands of businesses. With EDGE Concierge Business Banking, we're reshaping the way businesses bank by offering tailored solutions and personalized support. Our commitment is to provide Exclusive Dedication and Golden Experience to give businesses the EDGE to grow their empire.

This innovative program goes beyond traditional banking services, providing businesses with a dedicated EDGE Concierge team of professionals who are committed to understanding their unique financial objectives and challenges. Whether it's streamlining financial operations, optimizing cash flow management, or accessing specialized lending solutions, EDGE Concierge Business Banking offers comprehensive support every step of the way. By combining cutting-edge technology with personalized service, we're redefining the banking experience and equipping businesses with the tools they need to thrive in today's dynamic landscape.

EDGE Concierge Business Banking, businesses unlock:

Concierge Team: A dedicated concierge team of professionals ready to provide personalized support and guidance to help achieve their financial goals.

Streamlined Operations: Advanced technology and innovative tools designed to simplify financial management and optimize efficiency.

Customized Solutions: Access to a comprehensive suite of banking services and specialized lending solutions tailored to meet specific business needs.

Relationship Pricing: Receive premium rates on all of our products, competitive pricing on financing, no Fees on Everyday Transactions as well as discounts on cash management services.

We are shaping a brighter future for businesses and communities alike. As businesses navigate the complexities of today's financial landscape, we understand the importance of accessibility and convenience.

With EDGE Concierge Business Banking, clients can expect enhanced accessibility to our banking services, supported by our dedicated team of professionals who are committed to delivering excellence at every touch point. With EDGE Concierge Business Banking, we are empowering businesses to succeed, enriching communities, and shaping the future of banking together. As we embark on this new chapter, we invite businesses to experience the difference with EDGE Concierge Business Banking.

Empowering Home Ownership

In 2023, Empire State Bank embarked on an exciting journey by expanding our product offerings to include residential mortgages. This significant milestone reflects our commitment to empowering individuals and families to achieve their dream of homeownership while contributing to the growth and stability of our communities.

At Empire State Bank, we understand that purchasing a home is one of life's most significant milestones. It's about more than just finding the perfect property; it's about creating a place where memories are made, families thrive, and dreams take shape. With our residential mortgage offerings, we're dedicated to helping our customers navigate the home buying process with confidence and ease.

Our residential mortgage products are designed to meet the diverse needs of homebuyers, whether they're purchasing their first home, upgrading to a larger property, or refinancing an existing mortgage.

We offer competitive interest rates, flexible terms, and personalized guidance every step of the way, ensuring that our customers find the mortgage solution that best fits their financial goals and lifestyle.

In addition to providing access to affordable financing, we're committed to fostering homeownership opportunities in under served communities and promoting sustainable homeownership practices. Through education, outreach, and strategic partnerships, we aim to empower individuals and families from all walks of life to achieve long-term stability and success through homeownership.

By offering residential mortgages, Empire State Bank is not only helping individuals achieve their homeownership dreams but also contributing to the overall health and prosperity of our communities. We believe that stable, thriving neighborhoods are the foundation of vibrant communities, and we're proud to play a role in building a brighter future for all.

Innovative Technology

Enhancing Your Banking Experience

At Empire State Bank, we're committed to continuously improving the customer experience by embracing cutting-edge technology. Our dedication to providing exceptional banking services remains steadfast, driven by our client-centric approach and the integration of innovative solutions.

In recent years, we've made significant strides in leveraging the latest banking technology to enhance our product and service offerings. Building upon this foundation, we're thrilled to introduce two exciting additions to our suite of digital tools in 2023: contactless debit cards and digital wallets.

Contactless Debit Cards: In response to the evolving preferences of our customers and the growing demand for contactless payment options, we're excited to unveil our new contactless debit cards. With this technology, customers can enjoy a seamless and secure payment experience by simply tapping their card at enabled terminals. This feature not only offers added convenience but also enhances safety and hygiene, particularly in today's environment.

Digital Wallets: Recognizing the increasing security and reliance on mobile devices for everyday transactions, we're proud to introduce support for digital wallets. Our customers can now add their Empire State Bank debit cards to compatible digital wallet applications, such as Apple Pay, Google Pay, and Samsung Pay. This enables quick, secure, and contactless payments using their smartphones, providing unparalleled convenience and flexibility.

These advancements in technology align with our founding principles of community banking coupled with innovation. By embracing contactless debit cards and digital wallets, we're empowering our customers with smarter, simpler, and more engaging banking experiences.

Furthermore, our commitment to security remains paramount. Our advanced security measures, including encryption and fraud detection capabilities, safeguard our customers' personal and financial information in an ever-evolving digital landscape.

As we continue to evolve and grow, our goal remains to provide market-leading banking solutions while nurturing the strong relationships we've built within our communities. Through the integration of the latest technology and unwavering dedication to customer satisfaction, we're confident in our ability to help our customers manage their finances effectively and achieve their financial goals in the digital age.

OUR TEAM

At Empire State Bank, we are committed to fostering a culture of continuous learning, growth, and development. By investing in our employees' professional development, we empower them to reach their full potential and contribute to the ongoing success of our organization.

Driving Excellence and Innovation

Our team is the foundation of our success, and we strive to create an inclusive and empowering workplace that supports their growth and development. With their dedication, expertise, and passion for serving our customers and communities, they embody our values and drive our mission forward.

At Empire State Bank, we believe in investing in the growth and development of our team members. We recognize that continuous learning and skill development are essential for personal and professional success. That's why we offer a range of opportunities for our employees to enhance their skills, expand their knowledge, and advance their careers.

Training Programs: We provide comprehensive training programs designed to equip our team members with the knowledge and skills they need to excel in their roles. From onboarding sessions for new hires to specialized training workshops for experienced employees, we offer a variety of learning opportunities to support professional growth.

Skill Enhancement: In addition to formal training programs, we offer opportunities for skill enhancement and professional development tailored to individual needs and interests. Whether it's improving communication skills, honing technical expertise, or developing leadership capabilities, we provide resources and support to help our employees grow and succeed.

Professional Development: At Empire State Bank, we believe in investing in our team members' growth and development. From ongoing training programs to opportunities for career advancement, we support our employees in reaching their full potential and achieving their career goals.

Career Advancement: We are committed to helping our employees reach their full potential. Through clear pathways for career advancement, mentorship programs, and performance evaluations, we provide opportunities for employees to take on new challenges, expand their responsibilities, and advance their careers within our organization.

Continued Education: We encourage lifelong learning and support our employees' pursuit of continued education and professional certifications. Whether it's attending industry conferences, pursuing online courses, or obtaining relevant certifications, we provide resources and financial assistance to help our team members further their education and expertise. Through development programs and opportunities for advancement, we empower our employees to lead with confidence, integrity, and vision.

Performance Feedback: We believe in the importance of regular feedback and dialogue to support employee development. Through performance evaluations, one-on-one meetings with managers, and constructive feedback sessions, we provide guidance and support to help our team members identify areas for improvement and set goals for growth.

Diversity and Inclusion: At Empire State Bank, we celebrate diversity and strive to create an inclusive workplace where every team member feels valued and respected.

Team Member Wellness: We recognize that employee well-being is essential for overall success and productivity. That's why we offer wellness programs, work-life balance initiatives, and resources for stress management and mental health support to ensure that our team members feel supported, valued, and empowered to thrive both personally and professionally.

Health Benefits: We offer comprehensive health insurance plans, including medical, dental, and vision coverage, ensuring that our employees and their families have access to quality healthcare when they need it most. Additionally, we provide flexible spending accounts (FSAs) and health savings accounts (HSAs) to help offset medical expenses and promote financial security, a 401(k) with employer matching contributions, PTO and more.

Community Involvement

Making a Difference Together

At Empire State Bank, we understand that our responsibility goes beyond providing personalized banking services; we are deeply invested in the well-being of our communities.

When you bank with Empire State Bank, those funds are directly invested into our local communities where we have a physical presence. We believe that when our communities thrive, we all prosper. Therefore, we are passionate about supporting local organizations, events, and initiatives through volunteerism, sponsorships, and charitable donations. Throughout 2023, our team actively participated in various community events, discussions, and initiatives, embracing the opportunity to not only engage in business conversations but also to immerse ourselves in the vibrant hospitality of the communities we serve. By listening and connecting on a personal level, we gain valuable insights that allow us to make a lasting and inclusive impact.

We believe in the power of community and are dedicated to giving back in meaningful ways. Through our community involvement initiatives, we strive to make a positive impact on the lives of our customers, neighbors, and local organizations. Here's how we're making a difference together:

Volunteer Programs: Our team members are passionate about giving back to the communities we serve. Through volunteer programs, we donate our time and skills to local charities, schools, and nonprofit organizations. Whether it's participating in community clean-up events, mentoring youth, or serving meals at shelters, we're proud to roll up our sleeves and make a difference.

Community Partnerships: We believe in the power of collaboration to drive positive change. That's why we partner with local organizations and initiatives that align with our values and mission. From sponsoring community events to supporting grassroots initiatives, we're committed to working hand-in-hand with our neighbors to create a stronger and more vibrant community.

Financial Support: We understand the importance of financial resources in fueling community development. That's why we provide financial support to local nonprofits, charities, and community projects. Whether it's through grants, donations, or sponsorships, we're dedicated to investing in initiatives that make a difference in the lives of those around us.

Community Outreach: Building strong relationships with our neighbors is at the heart of what we do. Through community outreach efforts, we engage with residents, businesses, and organizations to better understand their needs and challenges. By listening and actively participating in community dialogues, we're able to tailor our

services and support to better meet the needs of our community.

Educational Initiatives: We believe in empowering individuals and families through education. That's why we support educational initiatives and programs that promote financial literacy, entrepreneurship, and career development. By investing in education, we're helping to build a stronger and more prosperous future for our community.

Environmental Sustainability: We recognize our responsibility to protect and preserve the environment for future generations. That's why we're committed to sustainable practices and initiatives that reduce our environmental footprint. From energy-efficient operations to eco-friendly initiatives, we're dedicated to being good stewards of the planet.

We take great pride in our role as active members of our communities, and we are dedicated to continuing our support in the years ahead. Whether through volunteer efforts, sponsorship of local events, or charitable contributions, we remain committed to making a difference and spreading the message of empowerment and solidarity.

As we navigate the evolving landscape of banking, our commitment to community support remains. We recognize the importance of building strong bonds with our neighbors and remain dedicated to enriching the lives of those around us. Together, we will continue to create positive change and foster a sense of unity and prosperity within our communities. Through our community involvement efforts, we're proud to be active participants in building a better tomorrow for our community. Together, we're making a difference and creating positive change that benefits us all.

Empowering Small Business Prosperity

Making a Difference Together

At Empire State Bank, our commitment to small businesses is more than just words—it's about delivering real results. Through innovative financial solutions tailored to the needs of modern entrepreneurs, we help businesses thrive in a competitive marketplace.

In the dynamic landscape of 2023, marked by evolving economic trends and emerging business challenges, Empire State Bank reaffirms its steadfast commitment to the success and prosperity of small businesses across our communities. With a rich history of supporting local entrepreneurship and fostering economic vitality, we are dedicated to providing exceptional banking services and tailored solutions that empower small businesses to thrive.

Amidst the changing tides of the banking industry, Empire State Bank remains a trusted partner and ally to small businesses, offering a comprehensive suite of financial products and personalized services designed to meet the diverse needs of entrepreneurs and enterprises alike. From flexible financing options to innovative digital banking solutions, we stand ready to support small businesses at every stage of their journey.

We understand that each small business is unique, facing its own set of challenges and opportunities. That's why we've remained dedicated to providing expert guidance and customized solutions to help businesses thrive. Empire State Bank offers a full range of business deposit and lending products designed to meet the diverse financial needs of small businesses. From flexible business loans to convenient business checking accounts, we provide the essential banking tools small businesses need to succeed. Additionally, our educational resources and expert guidance empower business owners to make informed financial decisions that drive growth and profitability. Throughout the year, our team worked closely with small business owners to understand their specific needs and deliver tailored financial solutions. For instance, our recently launched EDGE Concierge Business Banking program provides small businesses with a dedicated concierge team and financial management solutions, and access to dedicated relationship managers who understand the unique challenges of running a small business in today's economy.

We're deeply committed to supporting small business growth and development through community partnerships and initiatives. By sponsoring local events and organizations that promote entrepreneurship, and providing financial

support and resources to small businesses in need, we're actively contributing to the success of our communities.

Moreover, our investment in our small business banking infrastructure enables small businesses to streamline their operations and adapt to changing consumer preferences. Recognizing the importance of convenience and accessibility, we've enhanced our online banking and mobile app features to introduce contactless debit cards to digital wallet integration. We provide small business owners with the tools they need to manage their finances efficiently and effectively, even in today's fast-paced business environment.

As we look ahead to the future, Empire State Bank remains dedicated to being a catalyst for small business success and community growth. Thank you for choosing Empire State Bank as your trusted partner on your entrepreneurial journey. Together, let's continue to empower small businesses and drive community prosperity in 2023 and beyond.

At Empire State Bank, we understand that small businesses are the lifeblood of our communities, driving innovation, creating jobs, and fueling economic growth. That's why we are committed to providing more than just banking services—we are dedicated to building lasting relationships, offering expert guidance, and championing the success of every small business we serve.

In this section of our annual report, you'll discover firsthand accounts of small businesses that have flourished with the support of Empire State Bank. From scaling operations to reaching new markets, each success story underscores our commitment to empowering entrepreneurs and driving community prosperity. By sharing their achievements, we aim to inspire others in our community to pursue their entrepreneurial dreams and achieve their goals.

Stone Capital Investors

At Stone Capital Investors, our mission is clear: to provide superior guidance and support to our investors and clients in the realm of real estate investment. We navigate the complexities of the market with precision, ensuring that our partners achieve their financial objectives. Central to our success is our strategic partnership with Empire State Bank, a collaboration that has empowered us to make confident investment decisions and achieve remarkable growth.

Stone Capital Investors specializes in acquisitions and underwriting, allowing us to acquire properties at the optimal basis and deliver exceptional returns to our investors. With Empire State Bank's unwavering support, we've expanded our portfolio and capitalized on lucrative investment opportunities that align with our strategic vision.

Our combined experience in underwriting, having assessed over $50 billion in real estate transactions, positions us as leaders in the field. From duplexes to large property portfolios, our team meticulously analyzes property performance to project future returns. Empire State Bank's financial insights have enriched our underwriting process, enabling us to make informed decisions that drive success.

"At Stone Capital Investors, our success is built on strategic partnerships that enhance our capabilities and propel our growth. Empire State Bank has been a trusted ally, providing tailored financial solutions and expert guidance that have strengthened our position in the real estate market. Their commitment to excellence and personalized service aligns perfectly with our values, making them an invaluable partner in our journey towards success."

Looking ahead, Stone Capital Investors remains dedicated to empowering investors and driving growth in the real estate sector. With Empire State Bank by our side, we're confident in our ability to seize opportunities, overcome challenges, and achieve our investment goals. Contact us today to learn more about our partnership with Empire State Bank and how we can help you achieve your real estate investment objectives. To learn more, please visit: www.stonecapinv.com

Rainbow Restoration

In the bustling neighborhoods of Staten Island, where every home tells a story and every business holds a dream, Rainbow Restoration stands as a beacon of craftsmanship and commitment. As a leading contracting company in the borough, Curatola Contracting has been transforming spaces and bringing visions to life for countless homeowners and entrepreneurs.

Founded with a passion for excellence and a dedication to quality, Rainbow Restoration offers a wide range of construction services tailored to meet the unique needs of each client. From residential renovations to commercial remodeling projects, their skilled team of professionals brings expertise and creativity to every job, ensuring exceptional results that exceed expectations.

At the heart of Rainbow Restoration's success lies a commitment to craftsmanship and dedication to client satisfaction. With years of experience in the industry, they have honed their skills to deliver superior workmanship and attention to detail, earning the trust and loyalty of their clients throughout Staten Island.

Whether it's a kitchen remodel to create a culinary oasis or a commercial build-out to launch a new business venture, Curatola Contracting approaches each project with enthusiasm and expertise. Their comprehensive services encompass everything from initial planning and design to construction and finishing touches, ensuring a seamless and stress-free experience for their clients.

Rainbow Restoration's commitment to excellence has earned them recognition and praise from clients and industry peers alike. With a portfolio of successful projects and satisfied customers, they continue to set the standard for quality construction and superior service in Staten Island and beyond.

"Working with Empire State Bank has been instrumental in our growth and success as a small business. Their dedicated team understands the unique financial needs of contractors like us and has provided us with tailored solutions that have helped us expand our operations and achieve our goals. With their support, we've been able to take on larger projects, invest in new equipment, and better serve our clients. Empire State Bank isn't just a bank to us; they're a trusted partner in our journey towards success." - John Curatola, Owner of Rainbow Restoration.

As Staten Island continues to evolve and thrive, Rainbow Restoration remains committed to their mission of transforming spaces and building dreams, one project at a time. With their unwavering dedication to quality and customer satisfaction, they are poised to shape the future of construction in the borough for years to come. To learn more, please visit: www.rainbowrestores.com/staten-island

Empowering Nonprofits, Enriching Communities

Making a Difference in our Local Communitites

As pillars of compassion and change, nonprofits play an indispensable role in addressing social issues, providing essential services, and fostering a sense of belonging within our communities. In 2023, we embarked on another year of partnership and collaboration with the nonprofits that enrich our communities and transform lives.

Nonprofits play a vital role in providing essential services and support to individuals and families in need. Throughout the year, we partnered with various nonprofit organizations in our community to provide financial support, volunteer time, and other resources to help them achieve their mission. From sponsoring fundraising events to providing donations, we're dedicated to supporting organizations that make a positive impact on the lives of our customers and their neighbors.

We understand that nonprofits have specific financial needs and challenges. Through customized solutions, educational resources, and expert guidance, we assist these organizations in achieving their community missions. Our expertise and support enable nonprofits to manage their finances effectively and efficiently, allowing them to focus on making a positive impact in our communities.

Furthermore, recognizing the importance of digital transformation in the nonprofit sector, we have invested in innovative digital banking platforms and through seamless integration with digital wallets, nonprofits can now engage donors more effectively and securely, driving greater support for their initiatives in an increasingly digital world.

By working together with nonprofits, we can make a meaningful difference in the lives of those in need and help to build stronger and more vibrant communities. Our partnerships with nonprofit organizations are vital to creating lasting change and improving the quality of life for our neighbors and friends.

As we look ahead, Empire State Bank remains deeply committed to championing the causes that matter most to our communities. Our commitment to empowering nonprofits reflects our core values and our dedication to making a positive impact in the world around us. As we continue to serve our customers and support our communities, we remain committed to driving positive change and creating a better future for all. Thank you for entrusting us with your mission and allowing us to be a part of your journey towards positive change. Together, let's continue to empower nonprofits and enrich communities in 2023 and beyond.

In this section of our annual report, we're proud to showcase our dedication to supporting local nonprofit organizations. By highlighting the success stories of our nonprofit customers, we aim to inspire other organizations to take action and pursue their goals, ultimately contributing to the greater good of our community.

Camelot Counseling Services of Staten Island

Camelot Counseling Services of Staten Island is a nonprofit organization dedicated to providing mental health and substance abuse services to individuals and families in Staten Island, New York. The organization offers a range of counseling and therapy programs designed to support individuals struggling with addiction, mental health disorders, and other behavioral health challenges.

Founded by the North Shore Kiwanis Club in 1971 to address the then heroin epidemic- scourge on Staten Island Camelot exists to bring to the public easy accessible Substance Use Disorder (SUD) services without cost concerns. The organization is committed to providing compassionate, evidence-based care to help individuals achieve lasting recovery and improve their overall well-being.

"Empire State Bank has been an invaluable partner in our mission to support the mental health and well-being of our community," says Luke Nasta, Executive Director of Camelot Counseling. "Their dedication to community involvement and support for local nonprofits like ours has made a significant difference in our ability to serve those in need. We are grateful for their ongoing commitment to making a positive impact in Staten Island."

Camelot Counseling Services offers a variety of counseling services, including individual therapy, group therapy, family counseling, and medication management. Their team of licensed therapists, counselors, and medical professionals works collaboratively to create personalized treatment plans tailored to each client's unique needs and goals.

In addition to counseling services, Camelot Counseling Services of Staten Island may also provide community outreach programs, educational workshops, and support groups to address the broader mental health and substance abuse needs of the community.

Camelot Counseling Services of Staten Island plays a vital role in supporting the mental health and well-being of individuals and families in the community. To learn more or to donate, visit: www. camelotcounseling.org

The Staten Island Zoo

The Staten Island Zoo, nestled in the heart of New York City, stands as a beacon of conservation, education, and community engagement. The Staten Island Zoo is a beloved fixture in Staten Island, providing visitors with memorable experiences and fostering a deep appreciation for wildlife and the natural world.

Home to a diverse array of animal species, including endangered and threatened species, the Staten Island Zoo offers visitors the opportunity to connect with wildlife up close through engaging exhibits, educational programs, and conservation initiatives. From the playful antics of River Otters to the majestic presence of Amur Leopards, each visit to the zoo sparks wonder and curiosity in visitors of all ages.

"Empire State Bank's support has enabled us to expand our outreach programs, provide vital care for our animal residents, and enhance our facilities for the benefit of our visitors," adds Kenneth Mitchell. "Their commitment to community involvement and environmental stewardship aligns perfectly with our values, and we are grateful for their partnership."

In addition to its role as a cultural and educational institution, the Staten Island Zoo actively participates in conservation efforts to protect endangered species and preserve biodiversity. Through partnerships with local and international organizations, the zoo contributes to global conservation initiatives aimed at safeguarding vulnerable species and their habitats.

As the Staten Island Zoo looks ahead to the future, it remains committed to its mission of conservation, education, and community outreach, thanks in part to the support of partners like Empire State Bank. Together, they continue to make a positive impact on the lives of visitors, animals, and the environment. To visit, learn more, or to donate, visit: www.statenislandzoo.org

Attorney ADVANTAGE

Raising the Bar, Elevating Practices

In the ever-evolving legal landscape of 2023, attorneys and law firms face a myriad of challenges, from managing trust accounts to navigating complex transactions. At Empire State Bank, we recognize the critical role attorneys play in upholding justice in shaping our communities. We understand the intricacies of their financial needs and provide banking solutions that raise the bar, through AttorneyADVANTAGE banking — a comprehensive suite of banking services and expertise crafted specifically for legal professionals.

Our AttorneyADVANTAGE program offers a range of specialized financial solutions to streamline operations, optimize cash flow, and mitigate risk. From trust account management to escrow services, our dedicated team of banking professionals provides personalized guidance and support every step of the way.

In response to the growing demand for digital banking solutions, we've introduced innovative online platforms and mobile applications tailored to the needs of attorneys. With features such as electronic invoicing, remote check deposit, and secure document storage, attorneys can manage their finances more efficiently and securely, even on the go.

Moreover, our deep understanding of the legal industry enables us to offer strategic insights and educational resources to help attorneys stay ahead in a competitive market. Whether through informative seminars, networking events, or access to industry experts, we empower attorneys to navigate regulatory changes, seize opportunities, and achieve their professional goals.

As we look to the future, Empire State Bank remains dedicated to serving as a trusted financial partner to attorneys and law firms across our communities. Thank you for allowing us to be part of your journey and for entrusting us with your financial needs. Together, let's continue to build stronger practices and make a lasting impact in the legal profession and beyond.

In this section of our annual report, you'll find compelling stories of attorneys and law firms that have leveraged the AttorneyADVANTAGE program to drive growth, enhance client service, and achieve greater financial success. These success stories exemplify our commitment to empowering attorneys and elevating the practice of law.

Charles DeStefano

Here at Empire State Bank, we're dedicated to empowering legal professionals like Charles DeStefano to achieve their professional goals and drive success in their legal practice. As a prominent attorney with a distinguished career spanning over three decades, Charles DeStefano embodies the values of excellence, integrity, and commitment to the community. Our partnership with Charles has been instrumental in supporting his legal endeavors and advancing his mission to uphold justice and serve the Staten Island community.

Charles DeStefano's journey is a testament to his unwavering dedication to the legal profession and his steadfast commitment to serving the community. A graduate of Fordham University and Pace University School of Law, Charles has been admitted to practice law in New York State and the Federal Courts, demonstrating his exceptional legal acumen and expertise.

Throughout his illustrious career, Charles has represented over 6,000 clients in a wide range of legal matters, including personal injury, civil litigation, and criminal defense. His tireless advocacy and relentless pursuit of justice have earned him the respect and admiration of his peers and clients alike.

"At Empire State Bank, I've found a trusted partner that shares my values and commitment to excellence. Their personalized approach to banking and their unwavering support have been instrumental in helping me achieve my professional goals and serve the Staten Island community. Whether it's providing tailored financial solutions or offering expert guidance, Empire State Bank has been there every step of the way, empowering me to make a difference in the lives of my clients and the community. I'm grateful for their partnership and look forward to continuing our journey together."

In addition to his legal practice, Charles is actively involved in various community initiatives and organizations, demonstrating his commitment to making a positive impact on society. He has served on numerous committees and boards, including the Staten Island Trial Lawyers Association, the Richmond County Bar Association, and the Mayors Committee on City Marshal, among others.

Charles's dedication to serving the community extends beyond his legal practice, as evidenced by his involvement in various philanthropic endeavors and community outreach programs. He has been recognized for his outstanding contributions to the community, receiving prestigious awards such as the Catholic Charities "Father Drumgoole Award" and the Italian-American Heritage Awards Society's "Most Distinguished American of Italian Descent" award.

As Charles DeStefano continues to make a positive impact in the legal profession and the community, Empire State Bank remains committed to supporting him every step of the way. Our partnership is built on mutual respect, trust, and a shared vision for empowering legal professionals to achieve their fullest potential. Contact us today to learn more about our commitment to the legal community and how we can support your legal practice. To learn more, please visit: www.charlesdestefanolaw.com

Angela Domanski

Angela Domanski is a distinguished American attorney, specializing in a wide range of legal matters with a focus on real estate transactions, small business counsel, estate planning, and administration. With over 25 years of experience, Angela has established herself as a trusted legal advisor in Staten Island, where she operates her thriving law practice.

Since 1999, Angela has been dedicated to providing exceptional legal services tailored to meet the unique needs of her clients. Her expertise extends to representing buyers, sellers, and lenders in real estate transactions, advising small businesses on legal matters, and serving as an IRC section 1031 exchange trustee.

In addition to her legal practice, Angela is a valued client of Empire State Bank. She relies on the bank's tailored banking solutions to streamline her firm's financial operations, optimize cash flow management, and access specialized lending solutions. Angela appreciates the personalized support provided by the bank's dedicated team of professionals, who understand the unique needs of her law practice and are committed to helping her achieve her financial goals.

Angela's journey into the legal profession began with a strong foundation in income tax preparation and accounting, cultivated during her upbringing working alongside her father. Armed with this early experience and a passion for the law, Angela pursued her Juris Doctor from Brooklyn Law School in 1994, following her Bachelor of Science in Accounting from Brooklyn College in 1990.

Admitted to practice law in both New York and New Jersey, Angela's commitment to excellence is further demonstrated by her admission to practice before the US Tax Court. Throughout her career, Angela has earned a reputation for her dedication to her clients and her unwavering pursuit of justice.

As a seasoned attorney, Angela Domanski continues to make a positive impact in the legal community through her steadfast dedication to her clients and her passion for the law.

Empowering Growth

Our Sales Team

In the dynamic world of sales, where relationships are paramount and results are measured in both numbers and impact, our sales representatives stand as the driving force behind Empire State Bank's success. As ambassadors of our brand and champions of our mission, they embody our commitment to excellence and customer-centric service.

Each member of our sales team brings a unique blend of expertise, passion, and dedication to their role, ensuring that our clients receive the personalized attention and tailored solutions they deserve. Whether they're working with individuals, businesses, or organizations, our sales representatives go above and beyond to understand our clients' needs and provide them with the guidance and support they need to achieve their financial goals.

With a deep understanding of our products and services, as well as the ever-changing landscape of the financial industry, our sales representatives are equipped to navigate complex challenges and seize new opportunities. From offering advice on the best banking solutions to providing strategic insights into market trends, they serve as trusted advisors to our clients, helping them make informed decisions and achieve sustainable growth.

But it's not just about closing deals; our sales representatives are also committed to building lasting relationships built on trust, integrity, and mutual respect. They take the time to listen to our clients' concerns, address their questions, and ensure that they feel valued and supported every step of the way.

At Empire State Bank, we understand that our success is intrinsically tied to the success of our clients, and our sales representatives play a crucial role in driving that success forward. Their passion for excellence, unwavering dedication to customer service, and relentless pursuit of results make them invaluable assets to our organization and the communities we serve.

As we look to the future, we remain committed to investing in our sales team, providing them with the tools, resources, and support they need to thrive in an ever-changing marketplace.

Together, we will continue to empower growth, drive innovation, and deliver exceptional value to our clients, today and for years to come.

Jeanne Sarno
First Vice President
Business Relationship Manager
NMLS# 525475
1441 South Avenue, Suite 705
Staten Island, NY 10314
(917) 270-2518

Jeanne Sarno is a seasoned professional in the banking industry, specializing in business relationship management. With a keen understanding of the financial landscape and a dedication to customer service, Jeanne is passionate about helping her clients achieve their goals. As an FVP and Business Relationship Manager, she oversees the sales team in Staten Island and Brooklyn and brings a wealth of expertise in guiding her team and her clients.

JoAnn Puma Libretti
Vice President
Business Relationship Manager
NMLS# 896990
8701 Third Avenue
Brooklyn, NY 11209
(347) 204-4363

JoAnn Libretti is an experienced businss banker with a passion for serving business clients. With a deep understanding of financial products and services, JoAnn excels in building strong relationships and delivering innovative solutions to meet her clients' needs. As part of the business banking team, JoAnn is dedicated to providing exceptional service and helping businesses succeed.

Su Ying Wu
Assistant Vice President
Business Relationship Manager
NMLS# 478222
6923 18th Avenue
Brooklyn, NY 11204
(646) 806-7877

Su Ying Wu is a dedicated professional with a strong background in banking and financial services. With a breadth of experience in relationship management and business development, Su Ying Wu specializes in providing tailored banking solutions to meet the unique needs of her clients. As part of the Business Banking team, Su is committed to delivering personalized service and helping businesses achieve their financial goals.

Alan Wang
Vice President
Business Relationship Manager
NMLS# 2291226
6923 18th Avenue
Brooklyn, NY 11204
(917) 385-6979

Alan Wang is an experienced banker with a passion for serving business clients. With a deep understanding of financial products and services, Alan excels in building strong relationships and delivering innovative solutions to meet his clients' needs. As part of the Business Banking team, Alan is dedicated to providing exceptional service and helping businesses succeed.

Mark Giacalone
Vice President, Concierge
Business Relationship Manager
NMLS# 1018237
1441 South Avenue, Suite 705
Staten Island, NY 10314
(347) 957-0629

Mark Giacalone brings over a decade of experience in business banking to his role as an Edge Business Concierge Banking representative. With a focus on customer satisfaction and a commitment to excellence, Mark works closely with his clients to understand their unique financial needs and deliver customized solutions. His expertise and dedication make him a trusted partner for businesses looking to optimize their banking experience.

Alexandria Vale
Loan Officer
NMLS# 1673740
1441 South Avenue, Suite 705
Staten Island, NY 10314
(347) 592-1957

Alexandria Vale is a seasoned mortgage professional with a wealth of experience in residential lending. Whether clients are purchasing their first home or refinancing an existing loan, Alexandria's attention to detail and commitment to customer satisfaction make her a trusted advisor in the home financing journey.

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification No. 326, Financial Instruments – Credit Losses ("ASC 326"). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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.

(Continued)

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

Livingston, New Jersey
March 27, 2024

ES BANCSHARES, INC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share amounts)

	For Year Ended December 31, 2023	2022
ASSETS		
Cash and cash equivalents	$ 32,728	$ 38,115
Investment securities available for sale, at fair value	8,175	8,784
Investment securities held to maturity, at amortized cost (fair value of $6,167 and $6,381 at December 31, 2023 and 2022, respectively), net of allowance for credit losses of $211 at December 31, 2023 and $0 at December 31, 2022	7,045	7,258
Total securities	15,220	16,042
Loans receivable	564,773	508,830
Deferred cost	4,233	3,762
Allowance for credit losses on loans	(5,086)	(5,860)
Total loans receivable, net	563,920	506,732
Accrued interest receivable	2,625	2,020
Investment in restricted stock, at cost	5,191	4,779
Goodwill	581	581
Premises and equipment, net	5,600	6,209
Right of use lease asset	6,415	6,872
Bank owned life insurance	5,341	5,202
Other assets	1,129	1,303
Total assets	$ 638,750	$ 587,855
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 107,849	$ 129,641
Interest bearing	386,276	320,157
Total deposits	494,125	449,798
Borrowings	70,805	64,900
Subordinated debentures, net of issuance costs of $292 and $334, respectively	13,708	13,666
Lease liability	6,672	7,093
Other liabilities	7,578	8,397
Total liabilities	592,888	543,854
Stockholders' equity:		
Common stock (par value $0.01; 10,000,000 shares authorized; 6,714,165 and 6,714,433 shares issued and outstanding at December 2023 and 2022, respectively)	67	67
Additional paid-in-capital	36,075	35,951
Retained earnings	10,060	8,450
Accumulated other comprehensive loss	(340)	(467)
Total stockholders' equity	45,862	44,001
Total liabilities and stockholders' equity	$ 638,750	$ 587,855

See accompanying notes to financial statements

ES BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

(In thousands)

	For Year Ended December 31, 2023	For Year Ended December 31, 2022
INTEREST AND DIVIDEND INCOME:		
Loans	$ 26,343	$ 20,038
Securities	446	563
Fed Funds and other earning assets	1,418	613
Total interest and dividend income	28,207	21,214
INTEREST EXPENSE:		
Deposits	9,051	2,352
Borrowed funds	3,268	1,484
Total interest expense	12,319	3,836
Net interest income	15,888	17,378
PROVISION FOR (REVERSAL OF) CREDIT LOSSES	20	(79)
Net interest income after provision for (reversal of) credit losses	15,868	17,457
NON-INTEREST INCOME:		
Service charges and fees	763	793
Net gain on sales of participating interests in loans	168	241
Gain on sale of repossessed asset	-	206
Gain on sale of banking center	-	1,782
Other	149	148
Total non-interest income	1,080	3,170
NON-INTEREST EXPENSE:		
Compensation and employee benefits	7,408	7,267
Occupancy and equipment	2,656	2,631
Data processing service fees	1,317	1,181
Professional fees	1,104	833
FDIC and NYS banking assessments	272	225
Advertising	406	250
Insurance	190	176
Other	1,682	1,268
Total non-interest expense	15,035	13,831
Income before income taxes	1,913	6,796
INCOME TAX EXPENSE	440	1,547
Net income	$ 1,473	$ 5,249
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain (losses) on securities available for sale:	163	(753)
Tax effect	(36)	169
Total other comprehensive income (loss)	127	(584)
Comprehensive income	$ 1,600	$ 4,665

See accompanying notes to consolidated financial statements.

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2022	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
Cumulative change in accounting principle (ASU 2016-13)	-	-	-	137	-	137
Balance at January 1, 2023 (as adjusted for change in accounting principle)	6,714,433	67	35,951	8,587	(467)	44,138
Net income for the period	-	-	-	1,473	-	1,473
Stock based compensation expense	-	-	124	-	-	124
Cancellation of stock issued for restricted stock awards	(268)	-	-	-	-	-
Other comprehensive income	-	-	-	-	127	127
Balance at December 31, 2023	6,714,165	67	36,075	10,060	(340)	45,862

See accompanying notes to consolidated financial statements.

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

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,473	$ 5,249
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for (reversal of) credit losses	20	(79)
Depreciation of premises and equipment	1,024	884
Amortization and accretion of deferred fees, discounts and premiums, net	(468)	352
Amortization of right of use asset	923	823
Change in operating lease liability	(887)	(829)
Realized gain on sale of loans receivable	(168)	(241)
Income from bank-owned life insurance	(139)	(134)
Gain on sale of repossessed assets	—	(206)
Gain on sale of other real estate owned	(46)	—
Net gain on sale of branch	—	(1,782)
Deferred income taxes (benefit) and valuation allowance	84	(17)
Stock based compensation expense	124	44
Decrease (increase) in other assets	174	(396)
Increase in interest receivable	(605)	(193)
Increase (decrease) in other liabilities	665	(425)
(Decrease) increase in accrued interest payable	(264)	236
Net cash provided by operating activities	1,910	3,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	—	(21,853)
Purchases of securities held to maturity	—	(1,510)
Proceeds from calls of HTM securities	—	1,500
Proceeds from sale of loans receivable	5,800	4,407
Principal repayments on securities available for sale	778	16,193
Net originations repayments of loans receivable	(62,541)	(98,312)
Additions to premises and equipment	(415)	(1,176)
Net purchase of restricted stock	(412)	(2,277)
Net cash paid for sale of branch	—	(55,824)
Proceeds from sale of repossessed assets	803	93
Net cash used in investing activities	(55,987)	(158,759)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits	44,327	83,825
Net increase in FHLB borrowings	5,905	49,731
(Decrease) increase in advance payments by borrowers for taxes and insurance	(1,542)	909
Payment of cash for exercise of stock options	—	45
Net cash provided by financing activities	48,690	134,510
Decrease in Cash and Cash Equivalents	**(5,387)**	(20,963)
CASH AND CASH EQUIVALENTS - BEGINNING	**38,115**	59,078
CASH AND CASH EQUIVALENTS - ENDING	**$ 32,728**	$ 38,115
SUPPLEMENTARY CASH FLOWS INFORMATION		
Interest paid	$ 12,583	$ 3,600
Income taxes paid	688	1,716
SUPPLEMENTAL NONCASH DISCLOSURES		
Establishment of lease liability and right-of-use asset, net of termination	466	2,132
Net assets transferred for sale of branch, excluding cash and cash equivalents	—	(57,060)
Transfer from loans to other real estate owned	$ 918	$ —

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 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, requires 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, 2023, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date of March 27^{th} 2024, 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.

Adoption of Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial instruments, as amended, which replaces the incurred loss methodology with an expected credit loss methodology that is referred to as the current expected loss (CECL) methodology. The measurement of expected credit loss under the CECL methodology is applicable to 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 leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposure. Results for reporting periods after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net increase to retained earnings of $137 thousand as of January 1, 2023, for the cumulative effect of adopting ASC 326 including tax impact. The Company recorded a net decrease to the allowance for credit losses on loans of $830 thousand and an increase of $343 thousand to allowance for credit losses on unfunded commitment liability. In addition the Company recorded an allowance for credit losses on held to maturity securities of $309 thousand.

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 tax. 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.

A debt security is placed on non-accrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

Allowance for Credit Losses – Investment Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Accrued interest receivable on held-to-maturity debt securities is excluded from the estimate of credit losses.

Nearly all of the mortgage-backed: residential securities held by the Bank are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses.

For available-for-sale debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as provision for (reversal of) credit losses. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of credit losses.

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 credit 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 credit 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. Accrued interest receivable on loans is excluded from the estimate of credit losses.

Allowance for Credit Losses – Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustment to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The Company's loan portfolio segments comprise of multiple loan classes, which are characterized by similarities in initial measurement, risk attributes, and the manner in which credit risk is monitored and assessed. Loan segments include residential real estate, commercial real estate, commercial business, home equity loans and lines of credit, and consumer. The commercial real estate segment is comprised of nonresidential and multi-family loan classes. Common characteristics and risk profiles include the type/purpose of loan and historical/expected credit loss patterns. The Company periodically reassesses each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary.

Residential real estate loans have as collateral a borrower's primary residence, second home or investment property. The risk of loss on these loans would be due to collateral deficiencies due to market deterioration or location and condition of the property. The foreclosure process of a primary residence is usually the final course of action on these types of loans. Given our underwriting criteria and the volume and balance of the loans as compared to collateral, the risk in this portfolio segment is less than that of the other segments.

Commercial real estate loans generally are larger than residential mortgage loans and involve a greater degree of risk. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. Payments on these loans depend to a large degree on the results of operations and management of the properties or underlying businesses and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Accordingly, the nature of commercial real estate loans makes them more difficult for management to monitor and evaluate.

Commercial business lending generally involves greater risk than mortgage lending and involves risks that are different from those associated with residential and commercial real estate lending. Real estate lending is generally considered to be collateral based, with loan amounts based on predetermined loan to collateral values and liquidation of the underlying real estate collateral is viewed as the primary source of repayment in the event of borrower default. Although commercial business loans may be collateralized by equipment or other business assets, the liquidation of collateral in the event of a borrower default is often an insufficient source of repayment because equipment and other business assets may be obsolete or of limited use, among other things. Accordingly, the repayment of a commercial business loan depends primarily on the creditworthiness of the borrower (and any guarantors), while liquidation of collateral is a secondary and often insufficient source of repayment.

Consumer and home equity loans and lines of credit generally have shorter terms and higher interest rates than residential real estate loans. In addition, consumer and home equity loans and lines of credit expand the products and services we offer to better meet the financial services needs of our customers. Consumer and home equity loans and lines of credit generally involve greater credit risk than residential mortgage loans because of the difference in the underlying collateral. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage to, loss of, or depreciation in the underlying collateral. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections depend on the borrower's personal financial stability. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

The ACL on loans represents management's current estimate of lifetime expected credit losses inherent in the loan portfolio at the balance sheet date. As such, the estimate of expected credit losses is dependent upon portfolio size, composition and credit quality, as well as economic conditions and forecasts existing at that time. Expected future losses are estimated for the loan's entire contractual term adjusted for anticipated prepayments, as appropriate.

Credit loss expense related to loans reflects the totality of actions taken on all loans for a particular period including any necessary increases or decreases in the allowance related to changes in credit loss expectations associated with specific loans or pools of loans. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged-off. While management utilizes its best judgment and information available, the ultimate appropriateness of the allowance is dependent upon a variety of factors beyond management's control, including the performance of the loan portfolio, changes in interest rates and the broader economy.

The ACL on loans is comprised of three components: (i) quantitative (formulaic) reserves; (ii) qualitative (judgmental) reserves; and (iii) individual loan reserves.

Quantitative Component

Management estimates the quantitative component by projecting (i) probability-of-default, representing the likelihood that a loan will stop performing/default ("PD"), (ii) loss-given-default, representing the expected loss rate for loans in default ("LGD") and (iii) exposure-at-default ("EAD"), representing the estimated outstanding principal balance of the loans upon default, based on economic parameters for each month of a loan's remaining contractual term. Expected credit losses for the quantitative component are calculated as the product of the PD, LGD and EAD. PDs are estimated by analyzing internal data related to the historical performance of each loan pool over an economic cycle.

Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the economic environment over a reasonable and supportable forecast period.

Qualitative Component

The ACL on loans also includes qualitative considerations related to idiosyncratic risk factors, changes in current economic conditions that may not be reflected in quantitatively-derived results, and other relevant factors. These qualitative adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk.

The various risks that may be considered in making qualitative adjustments include, among other things, the impact of: (i) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries; (ii) actual and expected changes in international, national, regional, and local economic and business conditions and developments that affect collectability of the loan pools; (iii) changes in the nature and volume of the loan pools and in the terms of the underlying loans; (iv) changes in the experience, ability, and depth of our lending management and staff; (v) changes in volume and severity of past due financial assets, the volume of non-accrual assets, and the volume and severity of adversely classified or graded assets; (vi) changes in the quality of our credit review function; (vii) changes in the value of the underlying collateral for loans that are non-collateral dependent; (viii) the existence, growth, and effect of any concentrations of credit; and (ix) other external factors such as the regulatory, legal and technological environments, competition and events, such as natural disasters or health pandemics.

While the Company's loss estimation methodologies strive to reflect all relevant risk factors, uncertainty exists associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between estimates and actual outcomes, including with respect to forward-looking economic forecasts. The qualitative component is designed to provide coverage for losses attributable to such risks.

Individual Component

In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate that loan from other loans within the pool. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific allocations of the ACL are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk of the loan and economic conditions affecting the borrower's industry, among other things. For collateral dependent loans, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The Company reevaluates the fair value of collateral supporting collateral dependent loans on a quarterly basis. Specific allocations of the ACL for loans evaluated on an individual basis totaled $50 thousand at December 31, 2023.

Individually Evaluated Loans: The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. On a case-by-case basis, the Company may conclude that a loan should be evaluated on an individual basis 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. All loans in non-accrual status are individually evaluated.

Allowance for Credit Losses on off-balance sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through provision for (reversal of) credit losses. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance for credit losses on off-balance sheet credit exposures resides in the other liabilities section of the balance sheet.

Other Real Estate Owned

Other real estate owned ("OREO"), representing property acquired through foreclosure and held-for-sale, is initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequently, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs relating to holding the assets are charged to expenses. OREO is recorded in others assets. At December 31, 2023 and 2022, the Company did not hold any foreclosed real estate.

Investment in restricted stock

Federal Reserve Bank: As a member of the Federal Reserve Bank ("FRB") system, the Company 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 Company had $1.3 million invested in FRB stock at December 31, 2023 and 2022, respectively, which is carried at cost due to the fact that it is a restricted security. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of credit losses.

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 $3.8 million and $3.4 million at December 31, 2023 and 2022, 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 2020.

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.

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, 2023			
Shares Outstanding (weighted average)		6,714,357	
Basic earnings per share:			
Net earnings applicable to common stockholders	$ 1,473	6,714,357	$ 0.22
Effect of dilutive securities:			
Unexercised stock option awards	$ -	65,654	
Diluted earnings per share:			
Net income applicable to common stockholders and assumed conversions	$ 1,473	6,780,011	$ 0.22
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

NOTE 3- INVESTMENT SECURITIES

The amortized cost, estimated fair value of securities available for sale and held to maturity at December 31, 2023 and 2022 are as follows (in thousands):

	Amortized	Gross Unrealized		
	Cost	Gains	Losses	Fair Value
At December 31, 2023				
Available for sale:				
Mortgage-backed securities - residential	$ 2,238	$ 1	$ (123)	$ 2,116
Asset-backed securities	2,381	-	$ (294)	2,087
U.S. Treasury Notes	3,998	-	$ (26)	3,972
Total securities available for sale	$ 8,617	$ 1	$ (443)	$ 8,175
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

	Amortized	Gross Unrecognized			Allowance For Credit	Carrying
	Cost	Gains	Losses	Fair Value	Losses	Value
At December 31, 2023						
Held to Maturity:						
Corporate Debt Securities	$ 7,256	$ -	$ (1,089)	$ 6,167	$ (211)	$ 7,045
Total securities held to maturity	$ 7,256	$ -	$ (1,089)	$ 6,167	$ (211)	$ 7,045
At December 31, 2022						
Held to Maturity:						
Corporate Debt Securities	$ 7,258	$ -	$ (877)	$ 6,381	$ -	$ 7,258
Total securities held to maturity	$ 7,258	$ -	$ (877)	$ 6,381	$ -	$ 7,258

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, 2023 (in thousands):

	Amortized Cost	Fair Value
Available for sale debt securities		
Due after one year through five years	$ 3,998	$ 3,972
Total	$ 3,998	$ 3,972

	Amortized Cost	Fair Value
Held to maturity debt securities		
Due after five years through ten years	$ 7,256	$ 6,167
Total	$ 7,256	$ 6,167

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, 2023, corporate debt securities with an amortized cost of $7.3 million and an estimated fair value of $6.2 million were callable prior to the maturity date.

The estimated fair value and unrealized losses for securities available for sale at December 31, 2023 and 2022, segregated by duration of the unrealized 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, 2023						
Available for sale:						
Mortgage-backed securities - residential	$ -	$ -	$ 1,906	$ (123)	$ 1,906	$ (123)
Asset-backed securities	-	-	2,087	(294)	2,087	(294)
U.S. Treasury Notes	-	-	3,972	(26)	3,972	(26)
Total securities available for sale	$ -	$ -	$ 7,965	$ (443)	$ 7,965	$ (443)
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)

The estimated fair value and unrecognized losses for securities held to maturity at December 31, 2023 and 2022, segregated by duration of the unrecognized losses, are as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unreazlied Loss	Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
At December 31, 2023						
Held to Maturity:						
Corporate Debt Securities	$ -	$ -	$ 6,167	$ (1,089)	$ 6,167	$ (1,089)
Total securities held to maturity	$ -	$ -	$ 6,167	$ (1,089)	$ 6,167	$ (1,089)
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)

The Company evaluated securities in an unrealized position for impairment taking into consideration several factors. 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 expects to recover its amortized cost basis on all available for sale and held to maturity securities. Furthermore, the Company does not intend to sell nor does it anticipate that it will be required to sell any of its securities in an unrealized loss position at December 31, 2023, prior to recovery. The Company's ability and intent to hold these securities until recovery is supported by the Company's strong capital and liquidity positions.

The Company had eleven securities pledged at year end 2023 with a fair value of $7.9 million. The Company had one security pledged at year end 2022 with a fair value of $422 thousand. During the year ended December 31, 2023, 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, 2023, and 2022. As of December 31, 2023, there were no securities on non-accrual status and all securities were performing in accordance with contractual terms.

On January 1, 2023, the Company adopted ASU 2016-13 and recorded an allowance for credit losses for corporate debt securities held to maturity of $309 thousand. During the year ended December 31, 2023, the Company recorded a reversal of credit loss on held to maturity securities of $98 thousand. At December 31, 2023, the allowance for credit losses for corporate debt securities held to maturity was $211 thousand.

NOTE 4 – LOANS

Loans receivable, net at December 31, 2023 and 2022 consisted of the following (in thousands):

	December 31,	
	2023	2022
Residential real estate	$ 282,746	$ 249,192
Commercial real estate		
Nonresidential	213,884	192,892
Multi-family	54,620	51,684
Commercial Business	12,823	14,344
Home equity loans and lines of credit	631	597
Consumer	69	121
Total loans receivable	564,773	508,830
Deferred loan costs, net	4,233	3,762
Allowance for credit losses for loans	(5,086)	(5,860)
Total loans receivable, net	$ 563,920	$ 506,732

The Bank has extended credit to various directors, senior officers, and their affiliates. A transaction with a related parties is conducted on terms equivalent to those prevailing in an arm's-length transaction. Loans to related parties totaled $1.9 million and $1.8 million for December 31, 2023, and 2022, respectively.

The Bank's eligible mortgage loans are pledged to secure FHLB advances. The Bank had pledged $127 million and $124 million of eligible mortgage loans to secure FHLB advances at December 31, 2023 and 2022, respectively.

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 summarize total loans by year of origination, internally assigned credit grades, and risk characteristics (in thousands):

	2023	2022	2021	2020	2019	2018 and prior	Revolving lines of credit	Total
December 31, 2023								
Residential real estate								
Pass	$ 54,793	$ 94,364	$ 22,503	$ 14,482	$ 27,646	$ 68,497	$ -	$ 282,285
Special Mention	-	-	-	-	-	-	-	-
Substandard	115	-	-	-	-	346	-	461
Doubtful	-	-	-	-	-	-	-	-
Total residential real estate	$ 54,908	$ 94,364	$ 22,503	$ 14,482	$ 27,646	$ 68,843	$ -	$ 282,746
Nonresidential								
Pass	$ 35,107	$ 51,129	$ 28,614	$ 11,528	$ 20,213	$ 61,363	$ 3,634	$ 211,588
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	694	1,602	-	2,296
Doubtful	-	-	-	-	-	-	-	-
Total nonresidential	$ 35,107	$ 51,129	$ 28,614	$ 11,528	$ 20,907	$ 62,965	$ 3,634	$ 213,884
Multi-family								
Pass	$ 6,301	$ 15,912	$ 8,690	$ 5,871	$ 2,032	$ 15,269	$ 545	$ 54,620
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total multi-family	$ 6,301	$ 15,912	$ 8,690	$ 5,871	$ 2,032	$ 15,269	$ 545	$ 54,620
Commercial business								
Pass	$ 1,390	$ 1,638	$ 1,620	$ 606	$ 559	$ 3,793	$ 2,811	$ 12,417
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	86	188	132	-	406
Doubtful	-	-	-	-	-	-	-	-
Total commercial business	$ 1,390	$ 1,638	$ 1,620	$ 692	$ 747	$ 3,925	$ 2,811	$ 12,823
Home equity loans and lines of credit								
Pass	$ -	$ -	$ -	$ -	$ -	$ 173	$ 107	$ 280
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	351	-	351
Doubtful	-	-	-	-	-	-	-	-
Total home equity loans and lines of credit	$ -	$ -	$ -	$ -	$ -	$ 524	$ 107	$ 631
Consumer								
Pass	$ 69	$ -	$ -	$ -	$ -	$ -	$ -	$ 69
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer	$ 69	$ -	$ -	$ -	$ -	$ -	$ -	$ 69
Total loans receivable	$ 97,775	$ 163,043	$ 61,427	$ 32,573	$ 51,332	$ 151,526	$ 7,097	$ 564,773

	2022	2021	2020	2019	2018	2017 and prior	Revolving lines of credit	Total
December 31, 2022								
Residential real estate								
Pass	$ 97,370	$ 23,147	$ 16,532	$ 29,779	$ 53,847	$ 27,336	$ -	$ 248,011
Special Mention	-	-	-	-	-	523	-	523
Substandard	-	-	-	-	-	658	-	658
Doubtful	-	-	-	-	-	-	-	-
Total residential real estate	$ 97,370	$ 23,147	$ 16,532	$ 29,779	$ 53,847	$ 28,517	$ -	$ 249,192
Nonresidential								
Pass	$ 53,062	$ 30,447	$ 11,493	$ 21,554	$ 23,577	$ 48,307	$ 1,756	$ 190,196
Special Mention	-	-	-	-	-	627	-	627
Substandard	-	-	-	707	-	1,362	-	2,069
Doubtful	-	-	-	-	-	-	-	-
Total nonresidential	$ 53,062	$ 30,447	$ 11,493	$ 22,261	$ 23,577	$ 50,296	$ 1,756	$ 192,892
Multi-family								
Pass	$ 16,215	$ 8,997	$ 6,044	$ 2,136	$ 5,435	$ 12,625	$ 232	$ 51,684
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total multi-family	$ 16,215	$ 8,997	$ 6,044	$ 2,136	$ 5,435	$ 12,625	$ 232	$ 51,684
Commercial business								
Pass	$ 3,487	$ 1,853	$ 562	$ 571	$ 1,093	$ 2,447	$ 3,187	$ 13,200
Special Mention	-	-	168	113	81	142	-	504
Substandard	92	-	102	188	48	210	-	640
Doubtful	-	-	-	-	-	-	-	-
Total commercial business	$ 3,579	$ 1,853	$ 832	$ 872	$ 1,222	$ 2,799	$ 3,187	$ 14,344
Home equity loans and lines of credit								
Pass	$ -	$ -	$ -	$ -	$ -	$ 285	$ 84	$ 369
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	228	-	228
Doubtful	-	-	-	-	-	-	-	-
Total home equity loans and lines of credit	$ -	$ -	$ -	$ -	$ -	$ 513	$ 84	$ 597
Consumer								
Pass	$ 121	$ -	$ -	$ -	$ -	$ -	$ -	$ 121
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer	$ 121	$ -	$ -	$ -	$ -	$ -	$ -	$ 121
Total loans receivable	$ 170,347	$ 64,444	$ 34,901	$ 55,048	$ 84,081	$ 94,750	$ 5,259	$ 508,830

On January 1, 2023, the Company adopted ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which replaced the incurred loss methodology with an expected loss methodology, referred to as the "CECL" methodology. See Note 1, Summary of Significant Accounting Policies, for additional information on the adoption of Topic 326

An analysis of the allowance for credit losses on loans for the years ended December 31, 2023 and 2022 was as follows (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, 2023								
Allowance for credit losses on loans:								
Balance at beginning of period	$ 2,515	$ 1,703	$ 491	$ 696	$ 2	$ 5	$ 448	$ 5,860
Impact of adopting ASU 2016-13	122	4	(22)	(481)	-	(5)	(448)	(830)
(Benefit) provision charged to operations	(83)	369	26	(20)	(1)	10	-	301
Charge-offs	-	(214)	-	(35)	-	(10)	-	(259)
Recoveries	-	-	-	14	-	-	-	14
Balance at end of period	$ 2,554	$ 1,862	$ 495	$ 174	$ 1	$ -	$ -	$ 5,086
For the year ended December 31, 2022			-					
Allowance for loan losses:			-					
Balance at beginning of period	$ 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 period	$ 2,515	$ 1,703	$ 491	$ 696	$ 2	$ 5	$ 448	$ 5,860

The following table presents an analysis of the allowance for loan losses for the year ended December 31, 2022, 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 (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

A summary of loans individually evaluated for impairment by loan portfolio segment as of December 31, 2022 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

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral and, therefore, is classified as non-accruing. Collateral dependent residential real estate and nonresidential real estate loans are secured by real estate and collateral dependent commercial and industrial loans are secured by other assets. At December 31, 2023 and 2022, the Company had collateral dependent loans with an amortized cost balance as follows: residential real estate of $461 thousand and $753 thousand, respectively, nonresidential real estate of $685 thousand and $325 thousand, respectively, and commercial and industrial of $358 thousand and $418 thousand, respectively. In addition, the Company had residential and nonresidential loans collateralized by real estate, which are in the process of foreclosure, with an amortized cost balance of $276 thousand and $1.1 million at December 31, 2023 and 2022, respectively.

The following table presents the aging of the amortized cost basis in past due loans as of December 31, 2023, and 2022 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, 2023							
Current:	$ 282,285	$ 212,662	$ 54,620	$ 12,472	$ 280	$ 69	$ 562,388
Past due:							
30-59 days	-	537	-	-	351	-	888
60-89 days	-	-	-	-	-	-	-
90 days and over still accruing	-	-	-	-	-	-	-
Nonaccrual	461	685	-	351	-	-	1,497
Total past due	$ 461	$ 1,222	$ -	$ 351	$ 351	$ -	$ 2,385
Total Loans	$ 282,746	$ 213,884	$ 54,620	$ 12,823	$ 631	$ 69	$ 564,773
At December 31, 2022							
Current:	$ 248,534	$ 192,758	$ 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

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2023 (in thousands):

	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Residential real estate	$ 461	$ 461	$ -
Commercial real estate			
Nonresidential	685	685	-
Multi-family	-	-	-
Commercial Business	157	351	-
Home equity loans and lines of credit	-	-	-
Consumer	-	-	-
Total loans receivable	$ 1,303	$ 1,497	$ -

The Company adopted ASU 2022-02 on January 1, 2023. Since adoption, the Company has not modified the terms of any loans to borrowers experiencing financial difficulty. Prior to the adoption of ASU 2022-02, the Company classified certain loans as TDR loans when credit terms to a borrower in financial difficulty were modified in accordance with ASC 310-40. Since adoption of this ASU, the Company has ceased to recognize or measure new TDRs but those existing at December 31, 2022 remain until settled.

Occasionally, the Company modifies loans to borrowers in financial distress by providing term extension, interest rate reduction, or interest only payments. During the year ending December 31, 2023, the Company had no such loan modifications. At December 31, 2022 TDR loans totaled $559 thousand, of which $454 thousand 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.

The company has recorded an ACL for unfunded credit commitments, which is recorded in other liabilities. The provision is recorded within the provision for credit losses on the Company's income statement. The following table presents the allowance for credit losses for unfunded commitments for the year ended December 31, 2023 (in thousands):

Balance at beginning of period	$ -
Day 1 effect of CECL	343
Reversal of credit losses	
Unfunded commitments	(182)
Balance as of end of period	$ 161

The following table summarizes the provision for credit losses for the year ended December 31, 2023 (in thousands):

Provision for credit losses - loans	$ 300
Reversal of credit losses - unfunded commitments	(182)
Reversal of credit losses - HTM securities	$ (98)
Balance as of end of period	$ 20

NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2023 and December 31, 2022:

	December 31,	
	2023	**2022**
	(In thousands)	
Furniture, fixtures, and equipment	$ 2,157	$ 1,911
Leasehold Improvements	6,940	6,862
	9,097	8,773
Less: accumulated depreciation and amortization	(3,497)	(2,564)
Total premises and equipment, net	$ 5,600	$ 6,209

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 expenses were $1.0 million and $884 thousand for 2023 and 2022, respectively.

NOTE 6 – DEPOSITS

The following is a summary of deposit balances at December 31, 2023 and December 31, 2022 (in thousands):

	December 31,	
	2023	**2022**
Non-interest demand deposit	$ 107,849	$ 129,641
Interest demand deposits	28,846	35,401
Money market	1,896	6,685
Savings	146,571	106,574
Certificates of deposit	208,963	171,497
Total	$ 494,125	$ 449,798

The following summarizes certificates of deposit by remaining term to contractual maturity at December 31, 2023 (in thousands).

Under one year	$ 181,332
One year to under two years	16,684
Two years to under three years	10,632
Three years to under four years	101
Four years to under five years	214
Total Certificates of Deposit	$ 208,963

Certificates of deposit of $250 thousand or more totaled $48.4 million and $42.4 million at December 31, 2023 and December 31, 2022, respectively. As of December 31, 2023, and 2022, $56.6 million and $40.6 million, respectively, of brokered deposits were included in certificates of deposit.

Deposits from directors, senior officers and their affiliates were approximately $11.4 million and $12.9 million at December 31, 2023 and December 31, 2022, respectively.

NOTE 7 – BORROWINGS

FHLB borrowings are summarized as follows (in thousands):

	December 31, 2023		December 31, 2022	
	Balance	**Weighted Average Interest Rate**	**Balance**	**Weighted Average Interest Rate**
By remaining period to maturity				
One year or less	20,000	4.67%	49,900	4.72%
Over one year through two years	10,000	1.11%	5,000	1.85%
Over two years through three years	13,000	4.90%	10,000	1.11%
Over three years	27,805	4.57%	-	-
Total advances	**70,805**	**4.17%**	**64,900**	**3.94%**

Borrowings at December 31, 2023 included overnight borrowings totaling $15 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, 2023 the subordinated note, net of issuance costs, totaled $13.7 million compared to $13.7 million for December 31, 2022.

NOTE 9- INCOME TAXES

The Components of income tax expense are as follows for the years ended December 31, 2023, and 2022:

(In thousands)	2023	2022
Current		
Federal tax expense	$ 365	$ 1,378
State and Local tax expense	159	152
Total current expense	524	1,530
Deferred		
Federal tax expense	402	68
State and Local (benefit)	(773)	(426)
Total deferred tax (benefit) expense before valuation allowance	(371)	(358)
Valuation Allowance	287	375
Total tax expense	$ 440	$ 1,547

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, 2023 and 2022 (in thousands):

	2023	2022
Federal income tax at statutory rate	21%	21%
Computed "expected" federal tax expense at statutory rate	$ 402	$ 1,427
Increase (decrease) in federal income tax expense resulting from:		
State income taxes, net of federal benefit	(545)	11
Adjustment to deferred items	313	(289)
Other permanent items	(17)	23
Valuation Allowance	287	375
Total tax expense	$ 440	$ 1,547

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

YEARS ENDED DECEMBER 31,	2023	2022
	(In Thousands)	
Deferred tax assets:		
Net operating loss carry forwards	$ 2,739	$ 2,684
ROU liability	2,122	2,315
Reserve for loan loss	1,559	1,912
Unrealized loss AFS securities	102	138
Other	251	196
	6,773	7,245
Less: Valuation Allowance	(2,524)	(2,333)
	$ 4,249	$ 4,912
Deferred tax liabilities:		
ROU asset	$ (2,040)	$ (2,242)
Depreciation	(932)	(1,685)
Deferred loan costs	(1,409)	(1,290)
Goodwill	(185)	(190)
	$ (4,566)	(5,407)
Net deferred income tax liability	$ (317)	$ (495)

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. However, due to the change in New York State losses legislation passed in 2014, and New York City in 2015, the Company generated New York State and City losses in 2021 and 2022 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 not he 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, 2023 and 2022, 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, 2023 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, 2023 and 2022 are as follows:

(In thousands)	2023	2022
Commitments to originate loans	$ 10,028	$ 61,874
Unused lines of credit	13,105	9,836
Standby letters of credit	-	159
	$ 23,133	$ 71,869

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 branches and office space with terms extending through 2035.

As of December 31, 2023, the weighted-average remaining lease term for operating leases was 8.5 years and the weighted average discount rate used in the measure of operating lease liabilities was 2.42%. By comparison at December 31, 2022, the weighted average remaining lease term for operating leases was 9.4 years with a weighted average discount rate used in the measure of operating lease being 2.30%,

Total operating lease costs were $1.1 million for the years ended December 31, 2023 and 2022.

A maturity analysis of operating lease liabilities at December 31, 2023 is as follows (in thousands):

For the Year Ending December 31,	
2024	963
2025	940
2026	963
2027	952
2028	867
Thereafter	2,681
Total undiscounted lease payments	$ 7,366
Less: Imputed interest	694
Net Lease Liabilities	$ 6,672

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.

	2023	2022
Expected volatility	51.84%	8.38%
Expected life (years)	10	10
Risk Free interest rate	5.44%	2.97%
Fair value per option	$2.76	$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, 2023	446,200	$ 4.18		
Granted	52,100	3.92		
Forfeited	(37,750)	4.13		
Exercised	-	-		
Outstanding at December 31, 2023	460,550	$ 4.16	5.4	448,871
Vested and Exercisable at December 31, 2023	341,872	$ 3.90	4.2	417,597
Unrecognized compensation cost	$ 248,042			
Weighted average remaining recognition period (years)	3.76			

Total expense for the stock options was $54,088 and $30,000 for the years ended December 31, 2023 and 2022, respectively. There were no options exercised during the years ended December 31, 2023. For the year ended December 31, 2022 the intrinsic value of options exercised was $19,800.

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, 2023:

		Number of Shares		Weighted Average Grant Price
Outstanding at beginning of year or plan start date:		48,000		5.25
Granted		-	$	-
Forfeited		-	$	-
Vested		(12,395)		5.25
Unvested restricted stock awards at December 31, 2023		35,605	$	5.25
Unrecognized compensation cost	$	167,583		
Weighted average remaining recognition period (years)		2.9		

Total Expense for the restricted stock awards was $70,060 and $13,583 for the year ended December 31, 2023 and December 31, 2022, respectively.

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 $105,015 and $107,370 for the years ended December 31, 2023 and 2022 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, 2023 and 2022, 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, 2023				
Items measured on a recurring basis:				
Securities available for sale	$ 8,175	-	$ 8,175	-
Items measured on a nonrecurring basis:				
Loans measured for impairment based on the fair value of the underlying collateral (1)	$ 144	-	-	$ 144
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

(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, 2023 and 2022 the weighted average was 6% ranging from 6% to 7% on the discount for costs to sell. Impaired loans measured at fair value at December 31, 2023 had a book value of $194 thousand, with a valuation allowance of $50 thousand and at December 2022 had a book value of $611 thousand, with a valuation allowance of $174 thousand.

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, 2023 and 2022 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, 2023				
Financial Assets				
Cash and cash equivalents	$ 32,728	$ 32,728	-	-
Debt securities held to maturity	$ 7,045	-	$ 6,167	-
Investment in restricted stock	$ 5,191	N/A	N/A	N/A
Loans receivable, net	$ 563,920	-	-	$ 545,841
Financial Liabilities				
Deposits other than time deposits	$ 285,162	-	$ 286,987	-
Time deposits	$ 208,963	-	$ 206,955	-
FHLB advances	$ 70,805	-	-	$ 70,939
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	N/A	N/A	N/A
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

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, 2023, 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, 2023 and 2022, 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
			(Dollars in thousands)			
December 31, 2023:						
Tier I (core) capital to Average Assets	$ 58,890	9.5 %	$ 24,916	4.0 %	$ 31,145	5.0 %
Common Equity Tier 1 (to risk-weighted assets)	58,890	13.6	30,294	7.0 (1)	28,130	6.5
Tier 1 Capital to Risk (to risk-weighted assets)	58,890	13.6	36,785	8.5 (1)	34,621	8.0
Total Capital (to risk-weighted assets)	64,300	14.9	45,441	10.5 (1)	43,277	10.0
December 31, 2022:						
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

(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.

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Staten Island, NY 10314
(347) 592-1950

Administrative Office
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Newburgh, NY 12550
(866) 646-6003

Banking Centers:

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Staten Island, NY 10306
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South Avenue
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(718) 303-6915

Victory Boulevard
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CDARS ICS NETWORK MEMBER

SBA LENDER

Member FDIC

EQUAL HOUSING LENDER

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Philip A. Guarnieri
Chief Executive Officer

Walter Daszkowski, CPA - Vice Chairman

Thomas Sperzel
President and
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