ESB
BANCSHARES, INC.

ANNUAL REPORT-2024

Empowering Growth, Strengthening Communities

March 31, 2025

Dear Shareholder,

We are pleased to present the 2024 Annual Report to Shareholders of ES Bancshares, Inc. This was a challenging but rewarding year for the Company as we navigated a competitive deposit landscape with elevated cost of funding and managed our overhead by reducing approximately $1 million in operating costs. This was executed in the interest of supporting our earnings and positioning the Company for future success.

Asset quality and liquidity remained strong during 2024 despite pressures felt throughout the industry. Conservative underwriting and successful deposit gathering enabled the Company to maintain a healthy, performing loan portfolio as well as manage the upward pressure on cost of funds that persisted throughout the year.

As we have discussed in previous years, a core mission of management and the Board of Directors is to focus on core deposit gathering, particularly commercial checking accounts. This year has been no different as we were able to grow non-interest checking accounts by approximately $25.4 million, or 23.5%. The balance sheet remained stable throughout 2024, shrinking by a mere $2.7 million. This was by design. Given the elevated prevailing cost of funds and the somewhat tempered loan opportunities, management elected to utilize the growth in core checking accounts to paydown higher costing wholesale funding. This will position the balance sheet for more profitable growth opportunities moving forward.

To help combat our margin compression, we initiated a cost containment program. We successfully reduced our overall expenses by more than $1 million. We were able to enact efficiencies in our internal processes that streamlined our business. This was received positively and was a significant factor in the 28% share price increase from the prior year end.

In our quest to continue to provide and grow shareholder value we never cease to evaluate new opportunities to better our performance. In keeping with the core deposit mission, we were recently able to expand our sales force with an experienced and dynamic commercial banking team with significant ties to the local business community. This team mirrors our philosophy of delivering white glove, superior personal banking service to our customers. We are already seeing the positive impact created by this new addition to our Company.

We look forward to an exciting 2025 as we continue to carry out the Board's strategic plan to generate a return to our shareholders. We continue to overcome the challenges in our economic and regulatory environment to ensure the health and profitability of our Company.

We wish you all a healthy and prosperous 2025.

Sincerely,

Andrew Finkelstein
Chairman

Philip Guarnieri
Chief Executive Officer

Thomas Sperzel
President & Chief Operating Officer

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NATIONAL ACCOLADES

Empire State Bank was recently named to Newsweek's 2025 List of America's Best Regional Banks, based on its ability to support small businesses, fund projects and ensure easy access to essential banking services. The methodology used in the selection process utilized the Texas Ratio (a measure of a bank's credit quality) as well as reviewed profitability and net loans and leases, press coverage over the past two years. It is the only Staten Island-based financial institution to receive this designation.

Thank you to our staff, customers and shareholders.

VISION

Established in 2004 by a forward-thinking team of banking professionals and entrepreneurs, Empire State Bank was founded with a clear mission: to meet the changing financial needs of local communities.

Combining industry expertise with a deep understanding of community priorities, our founders set out to create a banking experience rooted in innovation, integrity, and personalized service.

From the beginning, Empire State Bank has been more than a financial institution—it has been a trusted partner dedicated to building strong relationships with customers and the communities we serve. Today, under the continued leadership of its original founders, the bank remains committed to its core vision, evolving to meet the ever-changing needs of those it serves.

Empire State Bank has achieved consistent growth over the years, driven by our commitment to enhancing financial solutions and embracing technological innovation. In an ever-evolving banking industry, we remain adaptable and forward-thinking, always striving to exceed client expectations. Looking ahead, we are dedicated to continuing to expand our presence while staying true to our community-focused values.

Giving back is at the heart of who we are. Through sponsorships, charitable contributions, and active participation in local events, we aim to make a meaningful impact and contribute to the prosperity of our communities.

As we navigate the complexities of modern banking, our dedication to trust, integrity, and exceptional service remains steadfast. We are proud to serve our customers and communities and look forward to a future marked by continued growth, innovation, and meaningful engagement.

MISSION

When we say "We Take Your Business Personally", we mean it!

"We Take Your Business Personally" is more than our tagline—it's our commitment to personalized banking and customer service. We remain dedicated to providing tailored financial solutions that meet the unique needs of our customers.

We recognize that every client has distinct financial goals, which is why we offer a comprehensive suite of deposit and lending products designed to meet their specific requirements. Our team of experienced banking professionals provides expert guidance with a personal touch, ensuring that businesses have the support they need to grow and prosper.

As trusted advisors, we take pride in fostering long-lasting relationships, taking the time to understand our clients' objectives and challenges to develop customized solutions that help them thrive in today's competitive environment.

Supporting the communities we serve is not just a responsibility—it's a core part of our identity. Through partnerships with local charities, sponsorships, and active participation in community events, we strive to make a meaningful impact. Our unwavering commitment to trust, integrity, and exceptional service ensures that every interaction with Empire State Bank is guided by professionalism, care, and a genuine desire to enrich the lives of our customers and their communities.

Our Organization is Built With Core Foundational Principals:

Through charitable support, volunteer efforts, and active participation in local events, we strive to make a lasting impact and be a trusted partner to our customers and neighbors.

Ethical Integrity:

Lasting relationships are founded on trust, and we honor this commitment by conducting business with integrity, openness, and a strong sense of responsibility. Our customers can depend on us for honest financial guidance that always prioritizes their needs and long-term success.

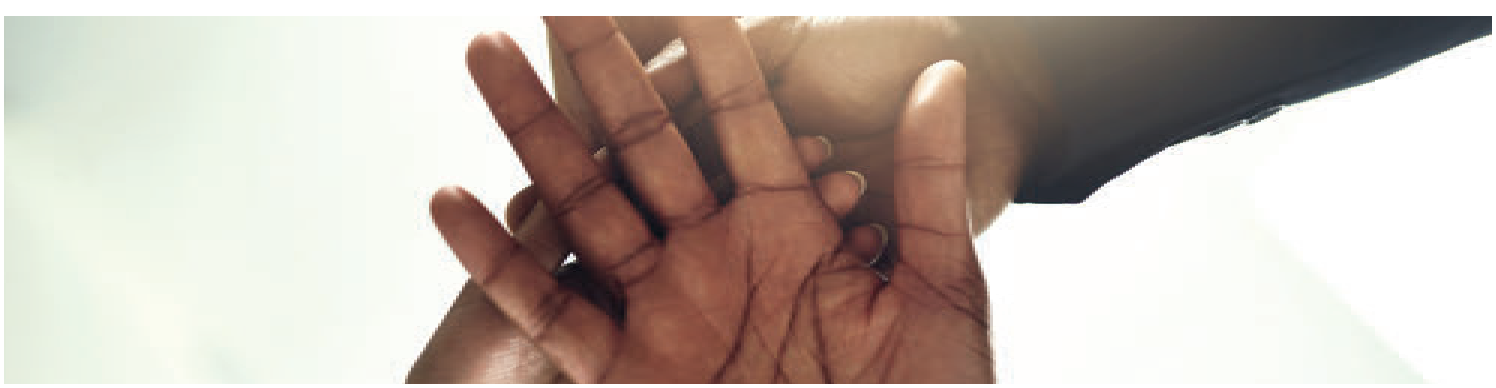
Customer Focused Experience:

We recognize that every customer has unique financial goals. That's why we offer personalized solutions, hands-on support, and dedicated service to ensure each client receives the attention and expertise they deserve.

Adapting To Our Client & Shareholders Needs:

As the banking industry evolves, we embrace new technologies and forward-thinking strategies to enhance our services. Our ability to adapt allows us to deliver seamless, efficient, and modern banking solutions tailored to today's financial landscape.

Empire State Bank provides a comprehensive range of financial services, including personal and business banking, specialized solutions for law firms, and business financing. With a customer-centric approach and the introduction of EDGE Concierge Business Banking, we remain focused on driving progress and financial success for those we serve.



VALUES

We're More Than a Bank, We're A True Partner

As a locally rooted bank, we are proud to serve our communities and honored to be a trusted financial partner to our customers. At Empire State Bank, we believe banking goes beyond transactions—it's about building meaningful relationships and making a lasting difference in people's lives.

This annual report highlights the core values that shape our mission and drive our commitment to delivering outstanding service and support. These values are at the heart of who we are—they guide every decision we make and every connection we build.

As we reflect on the past year and look toward the future, we proudly reaffirm our dedication to the principles that distinguish Empire State Bank and strengthen our bond with the communities we serve.

Educational Initiatives:

We are passionate about empowering individuals and families through education. That's why we actively support programs that foster financial literacy, encourage entrepreneurship, and promote career growth. By investing in educational initiatives, we're helping to create a more resilient and successful future for our communities.

Community Outreach:

Fostering strong connections with our neighbors is central to our mission. Through active community outreach, we engage with local residents, businesses, and organizations to gain a deeper understanding of their priorities and challenges. By listening and collaborating, we're able to adapt our services and support to better serve the unique needs of our community.

Financial Support:

We recognize that access to financial resources plays a vital role in driving community progress. That's why we proudly support local nonprofits, charities, and community initiatives through grants, donations, and sponsorships. Our goal is to invest in efforts that create meaningful, lasting impact for the people and neighborhoods we serve.

COMMUNITY INVOLVEMENT

Making a Difference Together

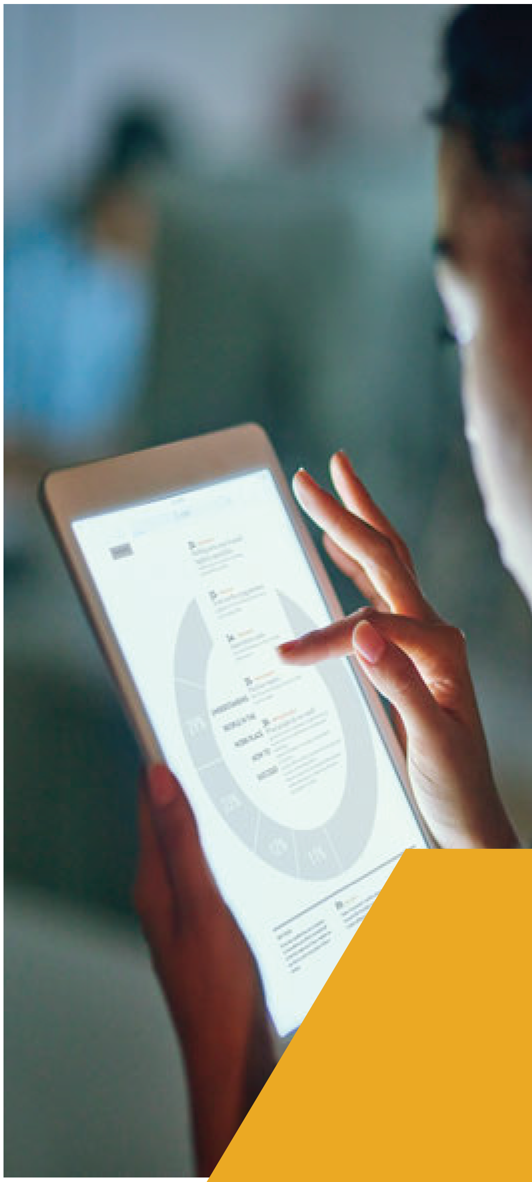
At Empire State Bank, our role extends far beyond delivering personalized financial services—we are deeply committed to the health and vitality of the communities we serve.

When you choose to bank with us, your deposits help fuel growth and opportunity in the neighborhoods where we live and work. We believe that strong communities create shared success, and we're proud to reinvest locally through charitable giving, sponsorships, and volunteer efforts.

In 2024, our team was actively involved in a wide range of community events and initiatives. From participating in local discussions to supporting grassroots efforts, we embraced every opportunity to engage, listen, and build meaningful connections. These experiences help us better understand the needs of our communities and shape how we support them moving forward.

At our core, we believe in the power of giving back. Through ongoing community partnerships and hands-on involvement, we're dedicated to making a lasting, positive impact for our customers, neighbors, and the organizations that strengthen our shared future.

EMPOWERING GROWTH



In the competitive and relationship-driven landscape of financial services, our sales team plays a pivotal role in advancing Empire State Bank's growth and delivering on our promise of exceptional service. As representatives of our institution and stewards of our mission, they exemplify professionalism, expertise, and a commitment to client success.

Each sales professional brings a high level of industry knowledge, strategic insight, and dedication to every client interaction. By taking a consultative approach, they work closely with individuals, businesses, and organizations to understand their financial objectives and provide tailored solutions designed to meet their specific needs. Their efforts not only drive results but also strengthen the trust and long-term relationships that are foundational to our success.

At Empire State Bank, we recognize that the achievements of our clients directly influence our own. Our sales team plays an essential role in advancing those outcomes through their professionalism, dedication, and results-driven approach.

Looking ahead, we are committed to strengthening this team by equipping them with the resources, training, and support necessary to excel in a constantly evolving environment. With their continued leadership, we will drive progress, foster innovation, and deliver lasting value to the clients and communities we serve.

OUR SALES TEAM

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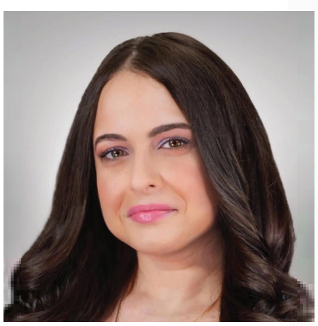

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of ES Bancshares, Inc., which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, 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, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

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 28, 2025

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

	For Year Ended December 31, 2024	2023
ASSETS		
Cash and cash equivalents	$ 26,713	$ 32,728
Investment securities available for sale, at fair value	15,278	8,175
Investment securities held to maturity, at amortized cost (fair value of $6,352 and $6,167 at December 31, 2024 and 2023, respectively), net of allowance for credit losses of $196 at December 31, 2024 and $211 at December 31, 2023	7,057	7,045
Total securities	22,336	15,220
Loans receivable	560,383	564,773
Deferred cost	4,084	4,233
Allowance for credit losses on loans	(5,137)	(5,086)
Total loans receivable, net	559,330	563,920
Accrued interest receivable	2,628	2,625
Investment in restricted stock, at cost	4,335	5,191
Goodwill	581	581
Premises and equipment, net	4,845	5,600
Right of use lease asset	5,894	6,415
Bank owned life insurance	5,489	5,341
Other assets	4,589	1,129
Total assets	$ 636,739	$ 638,750
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest	$ 133,268	$ 107,849
Interest bearing	380,565	386,276
Total deposits	513,833	494,125
Borrowings	50,083	70,805
Subordinated debentures, net of issuance costs of $213 and $292, respectively	11,787	13,708
Lease liability	6,172	6,672
Other liabilities	7,313	7,578
Total liabilities	589,188	592,888
Stockholders' equity:		
Common stock (par value $0.01; 10,000,000 shares authorized; 6,900,322 and 6,714,165 shares issued and outstanding at December 2024 and 2023, respectively)	69	67
Additional paid-in-capital	36,611	36,075
Retained earnings	11,164	10,060
Accumulated other comprehensive loss	(293)	(340)
Total stockholders' equity	47,551	45,862
Total liabilities and stockholders' equity	$ 636,739	$ 638,750

See accompanying notes to financial statements

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
(In thousands)

	For Year Ended December 31, 2024	For Year Ended December 31, 2023
INTEREST AND DIVIDEND INCOME:		
Loans	$ 29,273	$ 26,343
Securities	678	446
Fed Funds and other earning assets	1,624	1,418
Total interest and dividend income	31,576	28,207
INTEREST EXPENSE:		
Deposits	14,531	9,051
Borrowed funds	2,950	3,268
Total interest expense	17,482	12,319
Net interest income	14,094	15,888
PROVISION FOR CREDIT LOSSES	12	20
Net interest income after provision for credit losses	14,082	15,868
NON-INTEREST INCOME:		
Service charges and fees	829	763
Net gain on sales of participating interests in loans	140	168
Gain on sale of repossessed asset	-	-
Gain on extinguishment of subordinated debt	245	-
Other	313	149
Total non-interest income	1,527	1,080
NON-INTEREST EXPENSE:		
Compensation and employee benefits	6,830	7,408
Occupancy and equipment	2,509	2,656
Data processing service fees	1,253	1,317
Professional fees	808	1,104
FDIC and NYS banking assessments	428	272
Marketing	308	406
Insurance	208	190
Other	1,622	1,682
Total non-interest expense	13,966	15,035
Income before income taxes	1,643	1,913
INCOME TAX EXPENSE	539	440
Net income	$ 1,104	$ 1,473
OTHER COMPREHENSIVE INCOME		
Unrealized gain on securities available for sale:	71	163
Tax effect	(24)	(36)
Total other comprehensive income	47	127
Comprehensive income	$ 1,151	$ 1,600

See accompanying notes to consolidated financial statements.

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Dollars in thousands, except per share amounts)

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance at January 1, 2023	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
Stock option exercise	-	-	-	-	-	-
Restricted Stock Granted	-	-	-	-	-	-
Restricted Stock Forfeited	(268)	-	-	-	-	-
Other comprehensive income	-	-	-	-	127	127
Balance at December 31, 2023	6,714,165	67	36,075	10,060	$ (340)	$ 45,862
Balance at January 1, 2024	6,714,165	67	36,075	10,060	(340)	45,862
Net income for the period	-	-	-	1,104	-	1,104
Stock based compensation expense	-	-	160	-	-	160
Stock option exercise	141,457	2	523			525
Restricted Stock Granted	62,000	-	-	-	-	-
Cancellation of stock issued for restricted stock awards	(17,300)	-	(147)	-	-	(147)
Other comprehensive income	-	-	-	-	47	47
Balance at December 31, 2024	6,900,322	69	36,611	11,164	(293)	47,551

See accompanying notes to financial statements

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

	2024	2023
Cash flows from operating activities:		
Net income for period	$ 1,104	$ 1,473
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	12	20
Depreciation expense	820	1,024
Amortization (accretion) of deferred fees, discounts and premiums, net	397	(468)
Amortization of Right of Use Asset	521	923
Change in Operating Lease Liability	(500)	(887)
Realized Gain on Sale of Loans Receivable	(140)	(168)
Income from Bank Owned Life Insurance	(148)	(139)
Gain on sale of other real estate owned	-	(46)
Deferred income taxes (benefit) and valuation allowance	685	84
Gain on extinguishment of debt	(245)	-
Stock based compensation expense	160	124
Changes in assets and liabilities:		
(Increase) decrease in other assets	(3,460)	174
Decrease (increase) in interest receivable	(3)	(605)
(Decrease) increase in other liabilities	(809)	665
(Decrease) increase in accrued interest payable	(103)	(264)
Net cash provided by (used in) operating activities	(1,709)	1,910
Cash flows from investing activities:		
Purchase of available-for-sale securities	(17,669)	-
Proceeds from sales of available-for-sale securities	-	-
Proceeds from principal payments and maturities of AFS securities	10,859	778
Proceeds from principal payments and maturities of HTM securities	-	-
Proceeds from sale of loans receivable		5,800
Net repayments (originations) of loans	4,104	(62,541)
Redemption/ (purchase) of restricted stock	856	(412)
Leasehold improvements and acquisitions of capital assets, net of disposals	(65)	(415)
Proceeds from sale of repossessed asets	-	803
Net cash provided by (used in) investing activities	(1,915)	(55,987)
Cash flows from financing activities:		
Net increase (decrease) in deposits	19,408	44,327
Net increase (decrease) in FHLB borrowings	(20,722)	5,905
Net repayment of subordinated debt	(1,755)	-
(Decrease) increase in advance payments by borrowers for taxes and insurance	300	(1,542)
Cancellation of stock issued for restricted stock awards	(147)	-
Payment of cash for exercise of stock options	525	-
Net cash provided by (used in) financing activities	(2,391)	48,690
Net decrease in cash and cash equivalents	(6,015)	(5,387)
Cash and cash equivalents at beginning of period	32,728	38,115
Cash and cash equivalents at end of period	$ 26,713	$ 32,728
Supplemental cash flow information		
Interest paid	$ 17,586	$ 12,583
Income taxes paid	413	688
Establishment of lease liability and right of use asset, net of termination	-	466
Transfer of loans to other real estate owned	-	918

See accompanying notes to 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, 2024, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date of March 28th 2025, 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

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting - Improvements to Reportable Segment Disclosures (Topic 280), to improve reportable segment disclosures by requiring entities to disclose significant expense categories and amounts for each reportable segment, where significant expense categories are defined as those that are regularly reported to an entity's chief operating decision-maker and included in a segment's reported measures of profit or loss. The Company adopted this ASU as of December 31, 2024. As the Company has only one reportable segment, adoption of this ASU did not have a material effect on the Company's consolidated financial statements.

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 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 $0 at December 31, 2024 and 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, 2024 and 2023, 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, 2024 and 2023, 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 $3.0 million and $3.8 million at December 31, 2024 and 2023, 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 2021.

Comprehensive Income

Comprehensive income represents the sum of the net income and items of "other comprehensive income" 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.

Operating Segments

The Company's reportable segments is determined by the Chief Financial Officer, who is designated as the chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses this information to review performance of various components, such as branches, which are then aggregated. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used to assess performance and to establish compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provision for credit losses, and salaries and employee benefits provide the significant expense in the banking operation. All of the Company's operations are domestic.

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, 2024			
Shares Outstanding (weighted average)		6,856,507	
Basic earnings per share:			
Net earnings applicable to common stockholders	$ 1,104	6,856,507	$ 0.16
Effect of dilutive securities:			
Unexercised stock option awards	$ -	36,498	
Diluted earnings per share:			
Net income applicable to common stockholders and assumed conversions	$ 1,104	6,893,005	$ 0.16
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

NOTE 3- INVESTMENT SECURITIES

The amortized cost, estimated fair value of securities available for sale and held to maturity at December 31, 2024 and 2023 are as follows (in thousands):

	Amortized	Gross Unrealized		
	Cost	Gains	Losses	Fair Value
At December 31, 2024				
Available for sale:				
Mortgage-backed securities - residential	$ 1,664	$ 3	$ (112)	$ 1,555
Asset-backed securities	2,091	-	$ (281)	1,810
U.S. Treasury Notes	11,894	19	$ -	11,913
Total securities available for sale	$ 15,649	$ 22	$ (393)	$ 15,278
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

	Amortized	Gross Unrecognized			Allowance For Credit	Carrying
	Cost	Gains	Losses	Fair Value	Losses	Value
At December 31, 2024						
Held to Maturity:						
Corporate Debt Securities	$ 7,253	$ -	$ (902)	$ 6,352	$ (196)	$ 7,057
Total securities held to maturity	$ 7,253	$ -	$ (902)	$ 6,352	$ (196)	$ 7,057
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

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, 2024 (in thousands):

	Amortized Cost	Fair Value
Available for sale debt securities		
Within one year	$ 9,898	$ 9,908
Due after one year through five years	$ 1,996	$ 2,005
Total	$ 11,894	$ 11,913

	Amortized Cost	Fair Value
Held to maturity debt securities		
Due after five years through ten years	$ 7,253	$ 6,352
Total	$ 7,253	$ 6,352

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, 2024, corporate debt securities with an amortized cost of $7.3 million and an estimated fair value of $6.4 million were callable prior to the maturity date.

The estimated fair value and unrealized losses for securities available for sale at December 31, 2024 and 2023, segregated by duration of the unrealized losses, are as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	**Unrealized (Loss)**	**Fair Value**	**Unrealized (Loss)**	**Estimated Fair Value**	**Unrealized (Loss)**
At December 31, 2024						
Available for sale:						
Mortgage-backed securities - residential	$ -	$ -	$ 1,381	$ (112)	$ 1,381	$ (112)
Asset-backed securities	-	-	1,810	(281)	1,810	(281)
Total securities available for sale	$ -	$ -	$ 3,191	$ (393)	$ 3,191	$ (393)
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)

The estimated fair value and unrecognized losses for securities held to maturity at December 31, 2024 and 2023, segregated by duration of the unrecognized losses, are as follows (in thousands):

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	**Unrecognized Loss**	**Fair Value**	**Unrecognized Loss**	**Estimated Fair Value**	**Unrecognized Loss**
At December 31, 2024						
Held to Maturity:						
Corporate Debt Securities	$ -	$ -	$ 6,352	$ (902)	$ 6,352	$ (902)
Total securities held to maturity	$ -	$ -	$ 6,352	$ (902)	$ 6,352	$ (902)
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)

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, 2024, 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 one security pledged at year end 2024 with a fair value of $298.2 thousand. The Company had eleven securities pledged at year end 2023 with a fair value of $7.9 million. During the year ended December 31, 2024, 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, 2024, and 2023. As of December 31, 2024, there were no securities on non-accrual status and all securities were performing in accordance with contractual terms.

At December 31, 2023, the Company's ACL on held to maturity securities was $211 thousand. During the year ended December 31, 2024, the Company recorded a provision reversal of $15 thousand. At December 31, 2024, the Company's ACL on held to maturity securities was $196 thousand.

NOTE 4 – LOANS

Loans receivable, net at December 31, 2024 and 2023 consisted of the following (in thousands):

	December 31,	
	2024	2023
Residential real estate	$ 280,155	$ 282,746
Commercial real estate		
Nonresidential	212,324	213,884
Multi-family	53,579	54,620
Commercial Business	13,928	12,823
Home equity loans and lines of credit	243	631
Consumer	154	69
Total loans receivable	560,383	564,773
Deferred loan costs, net	4,084	4,233
Allowance for credit losses for loans	(5,137)	(5,086)
Total loans receivable, net	$ 559,330	$ 563,920

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 $1.3 million and $1.9 million for December 31, 2024, and 2023, respectively.

The Bank's eligible mortgage loans are pledged to secure FHLB advances. The Bank had pledged $140 million and $127 million of eligible mortgage loans to secure FHLB advances at December 31, 2024 and 2023, 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 management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution’s 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):

	2024	2023	2022	2021	2020	2019 and prior	Revolving lines of credit	Total
December 31, 2024								
Residential real estate								
Pass	$ 17,427	$ 43,984	$ 89,725	$ 20,866	$ 12,703	$ 94,027	$ -	$ 278,732
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	115	397	-	-	911	-	1,423
Doubtful	-	-	-	-	-	-	-	-
Total residential real estate	$ 17,427	$ 44,099	$ 90,122	$ 20,866	$ 12,703	$ 94,938	$ -	$ 280,155
Nonresidential								
Pass	$ 12,395	$ 25,878	$ 46,499	$ 27,194	$ 10,842	$ 79,598	$ 4,387	$ 206,793
Special Mention	-	-	-	-	-	886	-	886
Substandard	-	2,991	-	-	-	1,559	95	4,645
Doubtful	-	-	-	-	-	-	-	-
Total nonresidential	$ 12,395	$ 28,869	$ 46,499	$ 27,194	$ 10,842	$ 82,043	$ 4,482	$ 212,324
Multi-family								
Pass	$ 1,489	$ 6,209	$ 15,564	$ 8,355	$ 5,691	$ 14,971	$ 1,300	$ 53,579
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total multi-family	$ 1,489	$ 6,209	$ 15,564	$ 8,355	$ 5,691	$ 14,971	$ 1,300	$ 53,579
Commercial business								
Pass	$ 2,072	$ 1,045	$ 1,579	$ 1,374	$ 484	$ 1,562	$ 5,445	$ 13,561
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	76	291	-	367
Doubtful	-	-	-	-	-	-	-	-
Total commercial business	$ 2,072	$ 1,045	$ 1,579	$ 1,374	$ 560	$ 1,853	$ 5,445	$ 13,928
Home equity loans and lines of credit								
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 243	$ 243
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total home equity loans and lines of credit	$ -	$ -	$ -	$ -	$ -	$ -	$ 243	$ 243
Consumer								
Pass	$ 140	$ -	$ -	$ -	$ -	$ 14	$ -	$ 154
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total consumer	$ 140	$ -	$ -	$ -	$ -	$ 14	$ -	$ 154
Total loans receivable	$ 33,523	$ 80,222	$ 153,764	$ 57,789	$ 29,796	$ 193,819	$ 11,470	$ 560,383

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

An analysis of the allowance for credit losses on loans for the years ended December 31, 2024 and 2023 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, 2024								
Allowance for credit losses on loans:								
Balance at beginning of period	$ 2,554	$ 1,862	$ 495	$ 174	$ 1	$ -	$ -	$ 5,086
(Benefit) provision charged to operations	(32)	102	(10)	5	-	-	-	65
Charge-offs	-	-	-	(47)	-	-	-	(47)
Recoveries	1	-	-	32	-	-	-	33
Balance at end of period	$ 2,523	$ 1,964	$ 485	$ 164	$ 1	$ -	$ -	$ 5,137
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

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, 2024 and 2023, the Company had collateral dependent loans with an amortized cost balance as follows: residential real estate of $1,659 thousand and $461 thousand, respectively, nonresidential real estate of $3,620 thousand and $685 thousand, respectively, and commercial and industrial of $369 thousand and $358 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 $4,141 thousand and $276 thousand at December 31, 2024 and 2023, respectively.

The following table presents the aging of the amortized cost basis in past due loans as of December 31, 2024, and 2023 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, 2024							
Current:	$ 278,496	$ 208,362	$ 53,579	$ 13,337	$ 243	$ 154	$ 554,171
Past due:							
30-59 days	-	341	-	222	-	-	563
60-89 days	-	-	-	-	-	-	-
90 days and over still accruing	-	-	-	-	-	-	-
Nonaccrual	1,659	3,621	-	369	-	-	5,649
Total past due	$ 1,659	$ 3,962	$ -	$ 591	$ -	$ -	$ 6,212
Total Loans	$ 280,155	$ 212,324	$ 53,579	$ 13,928	$ 243	$ 154	$ 560,383
At December 31, 2023							
Current:	$ 282,285	$ 212,662	$ 54,620	$ 12,472	$ 280	$ 69	$ 562,388
Past due:							
30-59 days	-	537	-	0	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

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, 2024 (in thousands):

	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Residential real estate	$ 1,659	$ 1,659	$ -
Commercial real estate			
Nonresidential	3,620	3,620	-
Multi-family	-	-	-
Commercial Business	369	369	-
Home equity loans and lines of credit	-	-	-
Consumer	-	-	-
Total loans receivable	$ 5,648	$ 5,648	$ -

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	665	685	-
Multi-family	-	-	-
Commercial Business	157	351	-
Home equity loans and lines of credit	-	-	-
Consumer	-	-	-
Total loans receivable	$ 1,283	$ 1,497	$ -

During the years ended December 31, 2024 and 2023, the Company did not modify terms of any loans to borrowers experiencing financial difficulty.

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 years ended December 31, 2024 and 2023 (in thousands):

	2024	**2023**
Balance at beginning of period	$ 161	$ -
Day 1 effect of CECL		$ 343
Reversal of credit losses	$ (38)	$ (182)
Unfunded commitments		-
Balance as of end of period	$ 123	$ 161

The following table summarizes the provision for credit losses for the years ended December 31, 2024 and 2023 (in thousands):

	2024	2023
Provision for credit losses - loans	$ 65	$ 300
Reversal of credit losses - unfunded commitments	(38)	(182)
Reversal of credit losses - HTM securities	$ (15)	$ (98)
Balance as of end of period	$ 12	$ 20

NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2024 and December 31, 2023:

	December 31,	
	2024	2023
	(In thousands)	
Furniture, fixtures, and equipment	$ 2,216	$ 2,157
Leasehold Improvements	6,946	6,940
	9,162	9,097
Less: accumulated depreciation and amortization	(4,317)	(3,497)
Total premises and equipment, net	$ 4,845	$ 5,600

Depreciation expenses were $0.8 million and $1.0 million for 2024 and 2023, respectively.

NOTE 6 – DEPOSITS

The following is a summary of deposit balances at December 31, 2024 and December 31, 2023 (in thousands):

	December 31,	
	2024	2023
Non-interest demand deposit	$ 97,490	$ 107,849
Interest demand deposits	35,777	28,846
Money market	1,602	1,896
Savings	209,846	146,571
Certificates of deposit	169,118	208,963
Total	$ 513,833	$ 494,125

The following summarizes certificates of deposit by remaining term to contractual maturity at December 31, 2024 (in thousands).

Under one year	$ 153,170
One year to under two years	14,143
Two years to under three years	1,172
Three years to under four years	195
Four years to under five years	438
Total Certificates of Deposit	$ 169,118

Certificates of deposit of $250 thousand or more totaled $51.2 million and $48.4 million at December 31, 2024 and December 31, 2023, respectively. As of December 31, 2024, and 2023, $20.7 million and $56.6 million, respectively, of brokered deposits were included in certificates of deposit.

Deposits from directors, senior officers and their affiliates were approximately $16.8 million and $11.4 million at December 31, 2024 and December 31, 2023, respectively.

NOTE 7 – BORROWINGS

FHLB borrowings are summarized as follows (in thousands):

	December 31, 2024		December 31, 2023	
	Balance	Weighted Average Interest Rate	Balance	Weighted Average Interest Rate
By remaining period to maturity				
One year or less	10,000	1.11%	20,000	4.67%
Over one year through two years	13,000	4.90%	10,000	1.11%
Over two years through three years	-	-%	13,000	4.90%
Over three years	27,083	4.56%	27,805	4.57%
Total advances	**50,083**	**3.96%**	**70,805**	**4.17%**

Borrowings at December 31, 2024 included no overnight borrowings. 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. In 2024, the Company repurchased $2.0 million par of its subordinated debt for $1.8 million, resulting in a gain on extinguishment of $245 thousand. As of December 31, 2024 the subordinated note, net of issuance costs, totaled $11.8 million compared to $13.7 million for December 31, 2023.

NOTE 9- INCOME TAXES

The Components of income tax expense are as follows for the years ended December 31, 2024, and 2023:

(In thousands)	2024	2023
Current		
Federal tax expense	$ 1,042	$ 365
State and Local tax expense	182	159
`	1,224	524
Deferred		
Federal tax expense	(472)	402
State and Local (benefit)	(1,184)	(773)
Total deferred tax (benefit) expense before valuation allowance	(1,656)	(371)
Valuation Allowance	971	287
Total tax expense	$ 539	$ 440

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, 2024 and 2023 (in thousands):

	2024	2023
Federal income tax at statutory rate	21%	21%
Computed "expected" federal tax expense at statutory rate	$ 345	$ 402
Increase (decrease) in federal income tax expense resulting from:		
State income taxes, net of federal benefit	(912)	(545)
Adjustment to deferred items	175	313
Other permanent items	(40)	(17)
Valuation Allowance	971	287
Total tax expense	$ 539	$ 440

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

YEARS ENDED DECEMBER 31,	2024	2023
	(In Thousands)	
Deferred tax assets:		
Net operating loss carry forwards	$ 3,363	$ 2,739
ROU liability	1,943	2,122
Reserve for loan loss	1,699	1,559
Unrealized loss AFS securities	78	102
Other	522	251
	7,605	6,773
Less: Valuation Allowance	(3,495)	(2,524)
	$ 4,110	$ 4,249
Deferred tax liabilities:		
ROU asset	$ (1,855)	$ (2,040)
Depreciation	(225)	(932)
Deferred loan costs	(1,286)	(1,409)
Goodwill	(183)	(185)
Other	(217)	-
	$ (3,766)	(4,566)
Net deferred income tax asset (liability)	$ 344	$ (317)

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 in other assets 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 2023 and 2024, and it is more likely than not the Company will continue to generate New York tax losses in future years. Therefore, the Company calculates its New York State and City tax liability on the basis of average equity capital or a fixed minimum fee. Consequently, the Company has recorded a valuation allowance against its net New York State and City deferred tax assets as of December 31, 2024 and 2023, 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, 2024 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 payment of a fee by the customer.

The contractual amounts of financial instruments with off-balance sheet credit risk at December 31, 2024 and 2023 are as follows:

(In thousands)	2024	2023
Commitments to originate loans	$ 6,483	$ 10,028
Unused lines of credit	8,985	13,105
Standby letters of credit	-	-
	$ 15,468	$ 23,133

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, 2024, the weighted-average remaining lease term for operating leases was 7.3 years and the weighted average discount rate used in the measure of operating lease liabilities was 2.43%. By comparison at December 31, 2023, the weighted average remaining lease term for operating leases was 8.5 years with a weighted average discount rate used in the measure of operating lease being 2.42%,

Total operating lease costs were $1.2 million for the year ended December 31, 2024 and $1.1 million for the year ended December 31, 2023.

A maturity analysis of operating lease liabilities at December 31, 2024 is as follows (in thousands):

For the Year Ending December 31,	
2025	1,012
2026	1,037
2027	1,028
2028	945
2029	666
Thereafter	2,041
Total undiscounted lease payments	$ 6,729
Less: Imputed interest	557
Net Lease Liabilities	$ 6,172

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. Prior to 2024, Options and awards vest immediately for Directors and ratably over 3 to 5 years for all other participants. Starting in 2024, all option and restricted stock awards were subject to a 2-year cliff. After the 2-year cliff, Options and awards for Directors vest immediately, 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.

	2024	2023
Expected volatility	22.00%	51.84%
Expected life (years)	10	10
Risk Free interest rate	5.37%	5.44%
Fair value per option	$2.45	$2.76

A summary status of the Company's stock option grants for the year ended December 31, 2024 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, 2024	460,550	$ 4.16		
Granted	85,030	5.44		
Forfeited	(51,000)	4.76		
Exercised	(158,300)	3.04		
Outstanding at December 31, 2024	336,280	$ 4.93	7.3	$529,224
Vested and Exercisable at December 31, 2024	192,297	$ 4.74	3.6	$339,365
Unrecognized compensation cost	$ 323,080			
Weighted average remaining recognition period (years)	1.70			

Total expense for the stock options was $76,342 and $54,088 for the years ended December 31, 2024 and 2023, respectively. For the year ended December 31, 2024 the intrinsic value of options exercised was $548,074. There were no options exercised during the years ended December 31, 2023.

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, 2024:

	Number of Shares	Weighted Average Grant Price
Outstanding at beginning of year or plan start date:	48,000	5.25
Granted	62,000	$ 5.38
Forfeited	(17,300)	$ 5.14
Vested	(24,733)	5.25
Unvested restricted stock awards at December 31, 2024	67,967	$ 5.40
Unrecognized compensation cost	$ 333,126	
Weighted average remaining recognition period (years)	4.5	

Total Expense for the restricted stock awards was $84,199 and $70,060 for the year ended December 31, 2024 and December 31, 2023, 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 $65,345 and $105,015 for the years ended December 31, 2024 and 2023 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 collateral dependent 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, 2024 and 2023, 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, 2024				
Items measured on a recurring basis:				
Securities available for sale	$ 15,278	-	$ 15,278	-
Items measured on a nonrecurring basis:				
Loans measured for impairment based on the fair value of the collateral dependent loans	-	-	-	-

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 collateral dependent loans (1)	$ 144	-	-	$ 144

(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. Collateral dependent loans measured at fair value at December 31, 2023 had a book value of $194 thousand, with a valuation allowance of $50 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, 2024 and 2023 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, 2024				
Financial Assets				
Cash and cash equivalents	$ 26,713	$ 26,713	-	-
Debt securities held to maturity	$ 7,057	-	$ 6,352	-

Investment in restricted stock	$	4,355		N/A		N/A		N/A
Loans receivable, net	$	559,330		-		-	$	555,130
Financial Liabilities								
Deposits other than time deposits	$	344,715		-	$	325,230		-
Time deposits	$	169,118		-	$	168,745		-
FHLB advances	$	50,083		-	$	50,207		-
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		-

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, 2024, 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, 2024 and 2023, 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, 2024:						
Tier I (core) capital to Average Assets	$ 59,292	9.3 %	$ 25,483	4.0 %	$ 31,854	5.0 %
Common Equity Tier 1 (to risk-weighted assets)	59,292	13.7	30,343	7.0 (1)	28,175	6.5
Tier 1 Capital to Risk (to risk-weighted assets)	59,292	13.7	36,845	8.5 (1)	34,677	8.0
Total Capital (to risk-weighted assets)	64,711	14.9	45,514	10.5 (1)	43,347	10.0
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

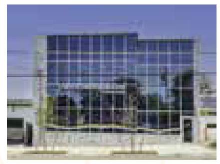
(1) Includes the Capital Conservation Buffer of 2.50%

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.

LOCATIONS

OFFICES

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



Administrative Office
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(347) 592-1950

Administrative Office
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Newburgh, NY 12550
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BANKING CENTERS

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Staten Island, NY 10306
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South Avenue
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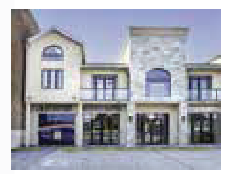
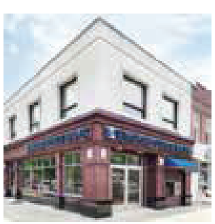
Staten Island, NY 10314
(718) 303-6915



Victory Boulevard
1698 Victory Boulevard
Staten Island, NY 10314
(718) 303-6900



3rd Avenue
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EQUAL HOUSING LENDER

Member FDIC

CDARS ICS

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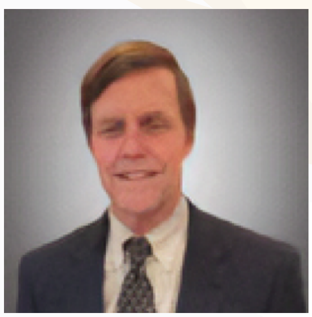
Andrew G. Finkelstein, Esq
Chairman

Philip A. Guarnieri
Chief Executive Officer

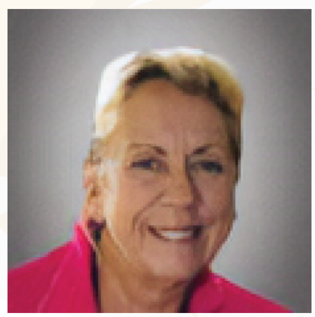
Walter Daszkowski, CPA
Vice Chairman

Thomas Sperzel
President and Chief Operating Officer

Penda Aiken



Michael O'Brien



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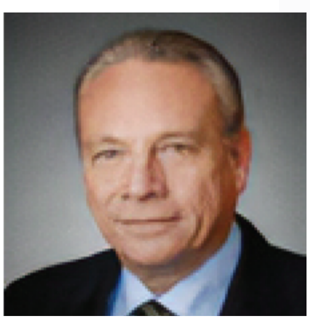
Michael Ostrow



Michael M. Menicucci, Esq.

Tom Thiel

Thomas D. Weddell, CPA

Ralph Branca
Executive Vice President

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