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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

or

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

For the transition period from to

Commission File Number: 001-40589

NorthEast Community Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Maryland	86-3173858
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

325 Hamilton Avenue
White Plains, New York 10601
(Address of Principal Executive Offices)

(914) 684-2500
(Registrant's telephone number, including area code)

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

Title of each class		Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share		NECB	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐		
Non-accelerated filer	☒	Smaller reporting company	☒	Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 8, 2023, there were 14,196,359 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

PART I —FINANCIAL INFORMATION

Item 1. Financial Statements

NORTHEAST COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	September 30, 2023	December 31, 2022
	(In thousands, except share and per share amounts)	
ASSETS		
Cash and amounts due from depository institutions	$ 15,727	$ 13,210
Interest-bearing deposits	90,996	82,098
Total cash and cash equivalents	106,723	95,308
Certificates of deposit	100	100
Equity securities	17,714	18,041
Securities available-for-sale, at fair value	-	1
Securities held-to-maturity (net of allowance for credit losses of $131, fair value of $11,909 and $22,865, respectively)	15,524	26,395
Loans receivable	1,507,938	1,217,321
Deferred loan costs, net	232	372
Allowance for credit losses	(4,767)	(5,474)
Net loans	1,503,403	1,212,219
Premises and equipment, net	25,523	26,063
Investments in restricted stock, at cost	929	1,238
Bank owned life insurance	24,926	25,896
Accrued interest receivable	11,323	8,597
Goodwill	200	200
Real estate owned	1,456	1,456
Property held for investment	1,417	1,444
Right of Use Assets – Operating	1,935	2,312
Right of Use Assets – Financing	352	355
Other assets	8,420	5,338
Total assets	$ 1,719,945	$ 1,424,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 309,190	$ 376,302
Interest bearing	1,056,444	745,653
Total deposits	1,365,634	1,121,955
Advance payments by borrowers for taxes and insurance	2,510	2,369
Borrowings	64,000	21,000
Lease Liability – Operating	1,991	2,363
Lease Liability – Financing	561	533
Accounts payable and accrued expenses	12,836	14,754
Total liabilities	1,447,532	1,162,974

See notes to interim unaudited consolidated financial statements.

NORTHEAST COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (continued)
(Unaudited)

	September 30, 2023	December 31, 2022
	(In thousands, except share and per share amounts)	
Stockholders' equity:		
Preferred stock, $0.01 par value; 25,000,000 shares authorized; none issued or outstanding	$ —	$ —
Common stock, $0.01 par value; 75,000,000 shares authorized; 14,481,614 shares and 16,049,454 shares issued and outstanding, respectively	145	161
Additional paid-in capital	114,669	136,434
Unearned Employee Stock Ownership Plan ("ESOP") shares	(6,780)	(7,432)
Retained earnings	164,201	132,670
Accumulated other comprehensive income	178	156
Total stockholders' equity	272,413	261,989
Total liabilities and stockholders' equity	$ 1,719,945	$ 1,424,963

See notes to interim unaudited consolidated financial statements.

NORTHEAST COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(In thousands, except per share amounts)			
INTEREST INCOME:				
Loans	$ 33,757	$ 18,771	$ 91,826	$ 46,244
Interest-earning deposits	1,181	414	2,886	718
Securities	199	199	650	534
Total Interest Income	35,137	19,384	95,362	47,496
INTEREST EXPENSE:				
Deposits	9,889	1,786	23,050	4,123
Borrowings	109	129	299	417
Financing lease	10	9	28	28
Total Interest Expense	10,008	1,924	23,377	4,568
Net Interest Income	25,129	17,460	71,985	42,928
Provision for credit loss	156	-	767	-
Net Interest Income after Provision for Credit Loss	24,973	17,460	71,218	42,928
NON-INTEREST INCOME:				
Other loan fees and service charges	364	544	1,417	1,562
Gain on disposition of equipment	-	52	-	98
Earnings on bank owned life insurance	153	153	857	450
Investment advisory fees	114	107	343	364
Unrealized loss on equity securities	(430)	(573)	(327)	(1,636)
Other	20	26	67	66
Total Non-Interest Income	221	309	2,357	904
NON-INTEREST EXPENSES:				
Salaries and employee benefits	4,700	3,979	14,079	11,420
Occupancy expense	616	598	1,890	1,763
Equipment	240	259	844	825
Outside data processing	569	473	1,638	1,388
Advertising	133	78	420	183
Real estate owned expense	11	199	52	252
Other	2,646	2,237	7,064	6,220
Total Non-Interest Expenses	8,915	7,823	25,987	22,051
INCOME BEFORE PROVISION FOR INCOME TAXES	16,279	9,946	47,588	21,781
PROVISION FOR INCOME TAXES	4,436	2,404	13,413	5,201
NET INCOME	$ 11,843	$ 7,542	$ 34,175	$ 16,580
EARNINGS PER COMMON SHARE – BASIC	$ 0.80	$ 0.49	$ 2.42	$ 1.07
EARNINGS PER COMMON SHARE – DILUTED	0.80	0.49	2.41	1.07
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	14,743	15,536	14,143	15,515
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED	14,822	15,536	14,192	15,515

See notes to interim unaudited consolidated financial statements.

NORTHEAST COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In thousands)		(In thousands)	
Net Income	$ 11,843	$ 7,542	$ 34,175	$ 16,580
Other comprehensive income:				
Defined benefit pension:				
Reclassification adjustments out of accumulated other comprehensive income:				
Amortization of actuarial (gain) loss	(8)	7	(24)	20
Actuarial loss arising during period	18	23	54	63
Total	10	30	30	83
Income tax effect[1]	(3)	(7)	(8)	(19)
Total other comprehensive income	7	23	22	64
Total Comprehensive Income	$ 11,850	$ 7,565	$ 34,197	$ 16,644

[1]Amounts are included in provision for income taxes in the consolidated statements of income.

See notes to interim unaudited consolidated financial statements.

NORTHEAST COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited)

	Number of Shares, net	Common Stock	Additional Paid- in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
	(In thousands, except share and per share amounts)						
Balance – December 31, 2022	16,049,454	$ 161	$ 136,434	$ (7,432)	$ 132,670	$ 156	$ 261,989
Net income	—	—	—	—	11,244	—	11,244
Other comprehensive income	—	—	—	—	—	7	7
Cash dividend declared ($0.06 per share)	—	—	—	—	(875)	—	(875)
Stock repurchases	(723,626)	(8)	(10,514)	—	—	—	(10,522)
Compensation expense related to restricted stock awards	—	—	241	—	—	—	241
Compensation expense related to stock options	—	—	192	—	—	—	192
Cumulative effect of adoption of ASU 2016-13	—	—	—	—	(99)	—	(99)
ESOP shares earned	—	—	109	217	—	—	326
Balance - March 31, 2023	15,325,828	$ 153	$ 126,462	$ (7,215)	$ 142,940	$ 163	$ 262,503
Net income	—	—	—	—	11,087	—	11,087
Other comprehensive income	—	—	—	—	—	8	8
Cash dividend declared ($0.06 per share)	—	—	—	—	(845)	—	(845)
Stock repurchases	(288,890)	(3)	(3,917)	—	—	—	(3,920)
Compensation expense related to restricted stock awards	—	—	241	—	—	—	241
Compensation expense related to stock options	—	—	192	—	—	—	192
ESOP shares earned	—	—	76	218	—	—	294
Balance - June 30, 2023	15,036,938	$ 150	$ 123,054	$ (6,997)	$ 153,182	$ 171	$ 269,560
Net income	—	—	—	—	11,843	—	11,843
Other comprehensive income	—	—	—	—	—	7	7
Cash dividend declared ($0.06 per share)	—	—	—	—	(824)	—	(824)
Stock repurchases	(555,324)	(5)	(8,941)	—	—	—	(8,946)
Compensation expense related to restricted stock awards	—	—	241	—	—	—	241
Compensation expense related to stock options	—	—	192	—	—	—	192
ESOP shares earned	—	—	123	217	—	—	340
Balance – September 30, 2023	14,481,614	$ 145	$ 114,669	$ (6,780)	$ 164,201	$ 178	$ 272,413

	Number of Shares, net	Common Stock	Additional Paid- in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	(In thousands, except share and per share amounts)						
Balance – December 31, 2021	16,377,936	$ 164	$ 145,335	$ (8,301)	$ 114,323	$ (139)	$ 251,382
Net income	—	—	—	—	3,645	—	3,645
Other comprehensive income	—	—	—	—	—	19	19
Cash dividend declared ($0.06 per share)	—	—	—	—	(931)	—	(931)
ESOP shares earned	—	—	41	217	—	—	258
Balance - March 31, 2022	16,377,936	$ 164	$ 145,376	$ (8,084)	$ 117,037	$ (120)	$ 254,373
Net income	—	—	—	—	5,393	—	5,393
Other comprehensive income	—	—	—	—	—	22	22
Cash dividend declared ($0.06 per share)	—	—	—	—	(3,722)	—	(3,722)
ESOP shares earned	—	—	28	218	—	—	246
Balance - June 30, 2022	16,377,936	$ 164	$ 145,404	$ (7,866)	$ 118,708	$ (98)	$ 256,312
Net income	—	—	—	—	7,542	—	7,542
Other comprehensive income	—	—	—	—	—	23	23
Cash dividend declared ($0.06 per share)	—	—	—	—	(916)	—	(916)
Stock Repurchases	(250,288)	(3)	(3,192)	—	—	—	(3,195)
Restricted Stock Award	86,880	1	(1)	—	—	—	—
ESOP shares earned	—	—	54	217	—	—	271
Balance - September 30, 2022	16,214,528	$ 162	$ 142,265	$ (7,649)	$ 125,334	$ (75)	$ 260,037

See notes to interim unaudited consolidated financial statements.

NORTHEAST COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(In thousands)	
Cash Flows from Operating Activities:		
Net income	$ 34,175	$ 16,580
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of securities premiums and discounts, net	19	18
Provision for credit losses	767	-
Depreciation	920	892
Net amortization of deferred loan fees and costs	230	377
Deferred income tax benefit	(830)	(1,235)
Unrealized loss recognized on equity securities	327	1,636
Impairment of real estate owned	-	189
Earnings on bank owned life insurance	(857)	(450)
Gain on dispositions of premises and equipment	-	(98)
ESOP compensation expense	960	775
Compensation expense related to stock options	576	-
Compensation expense related to restricted stock	723	-
Increase in accrued interest receivable	(2,727)	(2,352)
(Increase) decrease in other assets	(1,813)	417
Decrease in accounts payable - loan closing	(2,535)	(2,520)
Increase in accounts payable and accrued expenses	931	218
Net Cash Provided by Operating Activities	30,866	14,447
Cash Flows from Investing Activities:		
Net increase in loans	(318,991)	(149,344)
Proceeds from sale of loans	26,414	4,553
Proceeds from bank owned life insurance	1,827	-
Principal repayments on securities available-for-sale	1	-
Principal repayments on securities held-to-maturity	10,791	1,168
Purchase of securities held-to-maturity	(70)	(10,038)
Purchase of restricted stock	(6)	—
Redemptions of restricted stock	315	331
Purchases of premises and equipment	(380)	(3,236)
Net Cash Used in Investing Activities	(280,099)	(156,566)
Cash Flows from Financing Activities:		
Net increase in deposits	243,679	60,460
Proceeds from FRB borrowing	50,000	—
Repayment of FHLB of NY advances	(7,000)	(7,000)
Stock repurchases	(23,388)	(3,195)
Increase in advance payments by borrowers for taxes and insurance	142	413
Cash dividends paid	(2,785)	(5,896)
Net Cash Provided by Financing Activities	260,648	44,782
Net Increase (Decrease) in Cash and Cash Equivalents	11,415	(97,337)
Cash and Cash Equivalents – Beginning	95,308	152,269
Cash and Cash Equivalents – Ending	$ 106,723	$ 54,932

See notes to interim unaudited consolidated financial statements.

NORTHEAST COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
	(In thousands)	
Supplementary Cash Flows Information:		
Income taxes paid	$ 16,396	$ 5,485
Interest paid	$ 23,106	$ 4,491
Supplementary Disclosure of Non-Cash Investing and Financing Activities:		
Dividends declared and not paid	$ 872	$ 968

See notes to interim unaudited consolidated financial statements.

NORTHEAST COMMUNITY BANCORP, INC.
Notes to Condensed Consolidated Financial Statements
(Dollars in thousands, unless otherwise stated)
(Unaudited)

NORTHEAST COMMUNITY BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

The following is a description of the Company's business and significant accounting and reporting policies:

Nature of Business:

Northeast Community Bancorp, Inc. (the "Company") is a Maryland corporation that was incorporated in May 2021 to be the successor to NorthEast Community Bancorp, Inc., a federally chartered corporation (the "Mid-Tier Holding Company"), upon completion of the second-step conversion of NorthEast Community Bank (the "Bank") from the two-tier mutual holding company structure to the stock holding company structure. NorthEast Community Bancorp, MHC was the former mutual holding company for the Mid-Tier Holding Company prior to the completion of the second-step conversion. In conjunction with the second-step conversion, each of NorthEast Community Bancorp, MHC and the Mid-Tier Holding Company merged out of existence and now cease to exist. The second-step conversion was completed on July 12, 2021, at which time the Company sold, for gross proceeds of $97.8 million, a total of 9,784,077 shares of common stock at $10.00 per share. As part of the second-step conversion, each of the existing outstanding shares of Mid-Tier Holding Company common stock owned by persons other than NorthEast Community Bancorp, MHC was converted into 1.3400 shares of Company common stock. As a result of the second-step conversion, all share information has been subsequently revised to reflect the 1.3400 exchange ratio, unless otherwise noted.

The Bank is a New York State-chartered savings bank and the Company's primary activity is the ownership and operation of the Bank.

The Bank is headquartered in White Plains, New York. The Bank was founded in 1934 and is a community oriented financial institution dedicated to serving the financial services needs of individuals and businesses within its market area. The Bank currently conducts business through its eleven branch offices located in Bronx, New York, Orange, Rockland, and Sullivan Counties in New York and Essex, Middlesex and Norfolk Counties in Massachusetts and three loan production offices located in White Plains, New York, New City, New York, and Danvers, Massachusetts.

The Bank's principal business consists of originating primarily construction loans and, to a lesser extent, commercial and industrial loans and multifamily and mixed-use residential real estate loans and non-residential real estate loans. The Bank offers a variety of retail deposit products to the general public in the areas surrounding its main office and its branch offices, with interest rates that are competitive with those of similar products offered by other financial institutions operating in its market area. The Bank also utilizes borrowings as a source of funds. The Bank's revenues are derived primarily from interest on loans and, to a lesser extent, interest on investment securities and mortgage-backed securities. The Bank also generates revenues from other income including deposit fees, service charges and investment advisory fees.

The Bank also offers investment advisory and financial planning services under the name Harbor West Wealth Management Group, a division of the Bank, through a networking arrangement with a registered broker-dealer and investment advisor.

New England Commercial Properties LLC ("NECP"), a New York limited liability company and wholly owned subsidiary of the Bank, was formed in October 2007 to facilitate the purchase or lease of real property by the Bank. New England Commercial Properties, LLC currently owns one foreclosed property located in Pennsylvania.

NECB Financial Services Group, LLC (“NECB Financial”), a New York limited liability company and wholly owned subsidiary of the Bank, was formed in the third quarter of 2012 as a complement to Harbor West Wealth Management Group to sell life insurance and fixed rate annuities. NECB Financial is licensed in the States of New York and Connecticut.

72 West Eckerson LLC (“72 West Eckerson”), a New York limited liability company and wholly owned subsidiary of the Bank, was formed in April 2015 to facilitate the purchase or lease of real property by the Bank and currently owns the Bank branch locations in Spring Valley, New York and Monroe, New York.

166 Route 59 Realty LLC (“166 Route 59 Realty”), a New York limited liability company and wholly owned subsidiary of the Bank, was formed in April 2021 to facilitate the purchase or lease of real property by the Bank and currently owns the property for the Bank branch located in Airmont, New York.

3 Winterton Realty LLC, a New York limited liability company and wholly owned subsidiary of the Bank, was formed in October 2021 to facilitate the purchase or lease of real property by the Bank and currently owns the property for the Bank branch located in Bloomingburg, New York.

Principal of Consolidations:

The accompanying unaudited consolidated financial statements include the accounts of the Company, the Bank, NECP, NECB Financial, 72 West Eckerson, 166 Route 59 Realty, and 3 Winterton Realty LLC (collectively the “Company”) and have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant inter-company accounts and transactions have been eliminated in consolidation. The accounting and reporting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and to the rules and regulations of the Securities and Exchange Commission (the “SEC”), including the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations. The unaudited consolidated interim financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2022.

In the opinion of the Company, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the operating results for the interim periods have been included. The results of operations for periods of less than a year are not necessarily indicative of results for the full year or any other period.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Estimates that are particularly susceptible to change in the near term are used in connection with the determination of the allowance for credit losses, the review of the need for a valuation allowance of the Company’s deferred tax assets and the fair value of financial instruments.

Accounting Pronouncements Adopted in 2023:

Effective January 1, 2023, the Company adopted Accounting Standards Topic 326, “Financial Instruments – Credit Losses” which replaced the previously existing U.S. GAAP “incurred loss” approach to “expected credit losses” approach, which is referred as Current Expected Credit Losses (“CECL”). CECL measures the credit loss associated with financial assets carried at amortized cost, including loan receivables, held-to-maturity debt securities, off balance sheet credit exposures.

The company adopted Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balances sheet exposures. Results for reporting periods beginning after January 1, 2023 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. Upon adoption, we recorded a cumulative-effect adjustment totaling $134,000, or $99,000, net of tax, to reduce retained earnings. The transition adjustment includes the adoption and changes to the three applicable components of the allowance for credit losses ("ACL"): a decrease of $1.6 million in the allowance for credit losses related to loans, an increase of $132,000 in the allowance for credit losses related to held-to-maturity debt securities, and an increase of $ 1.6 million in the allowance for credit losses related to off-balance sheet items.

The following table illustrates the impact of adopting ASC 326:

	January 1, 2023		
	Pre-adoption	Adoption Impact	As Reported
		(In Thousands)	
Assets			
ACL on debt securities held-to-maturity			
Municipal Bonds	$ -	$ 132	$ 132
ACL on loan receivables			
Residential real estate	528	895	1,423
Non-residential real estate	131	7	138
Construction	3,835	(2,086)	1,749
Commercial and industrial	955	(437)	518
Consumer	18	44	62
Unallocated	7	(7)	-
Liabilities			
ACL for off-balance sheet exposure	-	1,586	1,586
	$ 5,474	$ 134	$ 5,608

Allowance for Credit Losses - Loans

The allowance for credit losses related to loans is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses related to loans is measured on a collective (pool) basis when similar risk characteristics exist. If the risk characteristics of a loan change, such that they are no longer similar to other loans in the pool, the Company will evaluate the loan with a different pool of loans that share similar risk characteristics. If the loan does not share risk characteristics with other loans, the Company will evaluate the loan on an individual basis. The Company evaluates the pooling methodology at least annually. Loans are charged off against the allowance for credit losses related to loans when the Company believes the balances to be uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off or expected to be charged off.

The Company has chosen to segment its portfolio consistent with the manner in which it manages credit risk. Such segments include residential real estate, non-residential real estate, construction, commercial and industrial business, and consumer. For most segments the Company calculates estimated credit losses using a probability of default and loss given default methodology, the results of which are applied to each individual loan within the segment. The point in time probability of default and loss given default are then conditioned by macroeconomic scenarios to incorporate reasonable and supportable forecasts that affect the collectability of the reported amount.

The Company estimates the allowance for credit losses related to loans via a quantitative analysis which considers relevant available information from internal and external sources related to past events and current conditions, as well as the incorporation of reasonable and supportable forecasts. The Company evaluates a variety of factors including third party economic forecasts, industry trends and other available published economic information in arriving at its forecasts. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the renewal option is included in the original or modified contract at the reporting date and are not unconditionally cancelable by the Company.

Also included in the allowance for credit losses related to loans are qualitative reserves to cover losses that are expected but, in the Company's assessment, might not be adequately represented in the quantitative analysis or the forecasts described above. Factors that the Company considers include changes in lending policies and procedures, business conditions, the nature and size of the portfolio, portfolio concentrations, the volume and severity of past due loans and non-accrual loans, the effect of external factors such as competition, legal and regulatory requirements, among others. Qualitative loss factors are applied to each portfolio segment with the amounts judgmentally determined by the relative risk to the most severe loss periods identified in the historical loan charge-offs of the Company.

The Company has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

On a case-by-case basis, the Company may conclude that a loan should be evaluated on an individual basis based on the loan's 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, the loan's observable market price or, for collateral-dependent loans, the fair value of the collateral as of the reporting date, less estimated selling costs, as applicable. If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will charge off the difference between the fair value of the collateral, less costs to sell at the reporting date and the amortized cost basis of the loan.

Allowance for Credit Losses – Held-to-Maturity Debt Securities

The allowance for credit losses related to held-to-maturity debt securities is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of held-to-maturity debt securities to present the net amount expected to be collected on the held-to-maturity debt securities. Losses, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The Company has elected to exclude accrued interest receivable from the measurement of its ACL. When an investment is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

Allowance for Credit Losses Related to 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 related to off-balance sheet credit exposures is adjusted through credit loss expense. 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.

Note 2 — Regulatory Capital

The Company and the Bank are subject to regulatory capital requirements promulgated by the federal banking agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated bank holding company, and the FDIC has similar requirements for the Company's subsidiary bank. The Bank met all capital adequacy requirements to which it was subject as of September 30, 2023 and December 31, 2022.

The following table presents information about the Bank's capital levels at the dates presented:

	Actual		Regulatory Capital Requirements: Minimum Capital Adequacy(1)		Regulatory Capital Requirements: For Classification as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of September 30, 2023:						
Total capital (to risk-weighted assets)	$ 245,572	13.50 %	$≥ 145,565	≥ 8.00 %	$≥ 181,957	≥ 10.00 %
Tier 1 capital (to risk-weighted assets)	239,511	13.16	≥ 109,174	≥ 6.00	≥ 145,565	≥ 8.00
Common equity tier 1 capital (to risk-weighted assets)	239,511	13.16	≥ 81,880	≥ 4.50	≥ 118,272	≥ 6.50
Core (Tier 1) capital (to adjusted total assets)	239,511	14.70	≥ 65,185	≥ 4.00	≥ 81,481	≥ 5.00
As of December 31, 2022:						
Total capital (to risk-weighted assets)	$ 222,728	13.66 %	$≥ 130,429	≥ 8.00 %	$≥ 163,036	≥ 10.00 %
Tier 1 capital (to risk-weighted assets)	217,283	13.33	≥ 97,822	≥ 6.00	≥ 130,429	≥ 8.00
Common equity tier 1 capital (to risk-weighted assets)	217,283	13.33	≥ 73,366	≥ 4.50	≥ 105,973	≥ 6.50
Core (Tier 1) capital (to adjusted total assets)	217,283	16.50	≥ 52,687	≥ 4.00	≥ 65,858	≥ 5.00

(1) Ratios do not include the capital conservation buffer.

Based on the most recent notification by the FDIC, the Bank was categorized as "well capitalized" under the regulatory framework for prompt corrective action. There have been no conditions or events that have occurred since notification that management believes have changed the Bank's category.

Note 3 — Equity Securities

The following table is the schedule of equity securities at September 30, 2023 and December 31, 2022. The equity securities consists of our investment in a market-rate bond mutual fund that invests in high quality fixed income bonds, mainly government agency securities whose proceeds are designed to positively impact community development throughout the United States. The mutual fund focuses exclusively on providing affordable housing for low- and moderate-income borrowers and renters within our delineated lending areas, including those in majority minority census tracts.

	September 30, 2023	December 31, 2022
	(In Thousands)	
Equity Securities, at Fair Value	$ 17,714	$ 18,041

The following is a summary of unrealized gain or loss recognized in net income on equity securities during the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(In Thousands)		(In Thousands)	
Net loss recognized on equity securities during the period	$ 430	$ 573	$ 327	$ 1,636
Less: Net losses realized on the sale of equity securities during the period	—	—	—	—
Unrealized net loss recognized on equity securities held at the reporting date	$ 430	$ 573	$ 327	$ 1,636

Note 4 — Securities Available-for-Sale

The Company's portfolio of securities available-for-sale totaled zero and $1,000 at September 30, 2023 and December 31, 2022, respectively.

The following table is the schedule of securities available-for-sale at December 31, 2022:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Mortgage-backed securities – residential:				
Federal Home Loan Mortgage Corporation	$ 1	$ —	$ —	$ 1
	$ 1	$ —	$ —	$ 1

There were no sales of securities available-for-sale as of September 30, 2023 and December 31, 2022.

At September 30, 2023 and December 31, 2022, the Company had no unrealized loss.

Note 5 — Securities Held-to-Maturity

The following table summarizes the Company's portfolio of securities held-to-maturity at September 30, 2023 and December 31, 2022.

	September 30, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Loss
	(In Thousands)				
Mortgage-backed securities – residential:					
Government National Mortgage Association	$ 474	$	$ 17	$ 457	$ —
Federal Home Loan Mortgage Corporation	890	—	147	743	—
Federal National Mortgage Association	2,060	—	274	1,786	—
Collateralized mortgage obligations – GSE	2,930	—	723	2,207	—
Total mortgage-backed securities	6,354	—	1,161	5,193	—
Municipal Bonds	9,301	—	2,585	6,716	131
	$ 15,655	$ —	$ 3,746	$ 11,909	$ 131

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Mortgage-backed securities – residential:				
Government National Mortgage Association	$ 523	$ —	$ 18	$ 505
Federal Home Loan Mortgage Corporation	961	—	129	832
Federal National Mortgage Association	2,308	—	250	2,058
Collateralized mortgage obligations – GSE	3,043	—	506	2,537
Total mortgage-backed securities	6,835	—	903	5,932
Municipal Bonds	9,546	—	2,524	7,022
U.S. Treasury securities	10,014	—	103	9,911
	$ 26,395	$ —	$ 3,530	$ 22,865

Contractual final maturities of mortgage-backed securities and municipal bonds were as follows at September 30, 2023:

	September 30, 2023	
	Amortized Cost	Fair Value
	(In Thousands)	
Due within one year	$ 562	$ 467
Due after one but within five years	1,667	1,281
Due after five but within ten years	2,931	2,292
Due after ten years	10,495	7,869
	$ 15,655	$ 11,909

The maturities shown above are based upon contractual final maturity. Actual maturities will differ from contractual maturities due to scheduled monthly repayments and due to the underlying borrowers having the right to prepay their obligations.

The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity:

	Municipal Bonds
Balance – December 31, 2022	$ -
Impact of adopting ASC 326	132
Provision for credit loss	4
Balance – March 31, 2023	$ 136
Provision for credit loss	(1)
Balance – June 30, 2023	$ 135
Provision for credit loss	(4)
Balance – September 30, 2023	$ 131

The age of unrealized losses and the fair value of related securities held-to-maturity, for which an allowance for credit losses was not deemed necessary, were as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(In Thousands)			
September 30, 2023:						
Mortgage-backed securities - residential:						
Government National Mortgage Association	$ —	$ —	$ 457	$ 17	$ 457	$ 17
Federal Home Loan Mortgage Corporation	—	—	743	147	743	147
Federal National Mortgage Association	—	—	1,786	274	1,786	274
Collateralized mortgage obligations – GSE	—	—	2,207	723	2,207	723
Total mortgage-backed securities	—	—	5,193	1,161	5,193	1,161
Municipal Bonds	—	—	6,716	2,585	6,716	2,585
	$ —	$ —	$ 11,909	$ 3,746	$ 11,909	$ 3,746

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(In Thousands)			
December 31, 2022:						
Mortgage-backed securities - residential:						
Government National Mortgage Association	$ 505	$ 18	$ —	$ —	$ 505	$ 18
Federal Home Loan Mortgage Corporation	—	—	824	129	824	129
Federal National Mortgage Association	478	33	1,580	217	2,058	250
Collateralized mortgage obligations – GSE	1,777	344	759	162	2,536	506
Total mortgage-backed securities	2,760	395	3,163	508	5,923	903
Municipal Bonds	444	39	6,579	2,485	7,023	2,524
U.S. Treasury securities	9,911	103	—	—	9,911	103
	$ 13,115	$ 537	$ 9,742	$ 2,993	$ 22,857	$ 3,530

At September 30, 2023, thirty-two mortgage-backed securities and seven municipal bonds had unrealized loss due to interest rate volatility. Management concluded that the unrealized loss reflected above was temporary in nature since the unrealized loss was related primarily to market interest rate volatility, and not related to the underlying credit quality of the issuers of the securities. Additionally, the Company has the ability and intent to hold the securities for the time necessary to recover the amortized cost. At December 31, 2022, there were thirty-five mortgage-backed securities, six municipal bonds and two U.S. Treasury notes had unrealized loss due to interest rate volatility.

Credit Quality Indicators

The held to maturity securities portfolio consists of agency mortgage-backed securities and municipal bonds. All agency mortgage-backed securities 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. The seven municipal bonds in the portfolio carry no lower than A ratings from the rating agencies at September 30, 2023 and have a long history of no credit losses. The Company regularly monitors the municipal bonds sector of the market and reviews collectability including such factors as the financial condition of the issuers as well as credit ratings in effect as of the reporting period.

Note 6 — Loans Receivable and the Allowance for Credit Losses

Loans are stated at unpaid principal balances plus net deferred loan origination fees and costs less an allowance for credit losses. Interest on loans receivable is recorded on the accrual basis. An allowance for uncollected interest is established on loans where management has determined that the borrowers may be unable to meet contractual principal and/or interest obligations or where interest or principal is 90 days or more past due, unless the loans are well secured with a reasonable expectation of collection. When a loan is placed on nonaccrual, an allowance for uncollected interest is established and charged against current income. Thereafter, interest income is not recognized unless the financial condition and payment record of the borrower warrant the recognition of interest income. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Interest on loans that have been restructured is accrued according to the renegotiated terms. Net loan origination fees and costs are deferred and amortized into interest income over the contractual lives of the related loans by use of the level yield method. Past due status of loans is based upon the contractual due date. Prepayment penalties received on loans which pay in full prior to the scheduled maturity are included in interest income in the period the prepayment penalties are collected.

The composition of loans were as follows at September 30, 2023 and December 31, 2022:

	September 30, 2023	**December 31, 2022**
	(In Thousands)	
Residential real estate:		
One-to-four family	$ 5,303	$ 5,467
Multi-family	175,699	123,385
Mixed-use	28,533	21,902
Total residential real estate	209,535	150,754
Non-residential real estate	20,289	25,324
Construction	1,168,909	930,628
Commercial and industrial	107,963	110,069
Consumer	1,242	546
Total Loans	1,507,938	1,217,321
Deferred loan costs, net	232	372
Allowance for credit losses	(4,767)	(5,474)
	$ 1,503,403	$ 1,212,219

Loans serviced for the benefit of others totaled approximately $ 37.5 million and $ 22.4 million at September 30, 2023 and December 31, 2022, respectively. The value of mortgage servicing rights was not material at September 30, 2023 and December 31, 2022.

The allowance for credit losses on loans represents management’s estimate of losses inherent in the loan portfolio as of the statement of financial condition date and is recorded as a reduction to loans. The allowance for credit losses is increased by the provision for credit losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely.

The allowance for credit losses on loans is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the relevant available information from internal and external sources related to past events and current conditions, as well as the incorporation of reasonable and supportable forecasts. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The following tables summarize the allocation of the allowance for credit losses based upon the calculation methodology described in Note 1, and loans receivable by loan class and credit loss method at September 30, 2023 and December 31, 2022:

At September 30, 2023:

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial (In Thousands)	Consumer	Unallocated	Total
Allowance for credit losses:							
Ending balance	$ 2,108	$ 110	$ 1,917	$ 485	$ 147	$ —	$ 4,767
Ending balance: individually evaluated for credit loss	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for credit loss	$ 2,108	$ 110	$ 1,917	$ 485	$ 147	$ —	$ 4,767
Loans receivable:							
Ending balance	$ 209,535	$ 20,289	$ 1,168,909	$ 107,963	$ 1,242	$ —	$ 1,507,938
Ending balance: individually evaluated for credit loss	$ —	$ —	$ 4,381	$ —	$ —	$ —	$ 4,381
Ending balance: collectively evaluated for credit loss	$ 209,535	$ 20,289	$ 1,164,528	$ 107,963	$ 1,242	$ —	$ 1,503,557

At December 31, 2022:

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial (In Thousands)	Consumer	Unallocated	Total
Allowance for loan losses:							
Ending balance	$ 528	$ 131	$ 3,835	$ 955	$ 18	$ 7	$ 5,474
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 528	$ 131	$ 3,835	$ 955	$ 18	$ 7	$ 5,474
Loans receivable:							
Ending balance	$ 150,754	$ 25,324	$ 930,628	$ 110,069	$ 546	$ —	$ 1,217,321
Ending balance: individually evaluated for impairment	$ 855	$ —	$ —	$ —	$ —	$ —	$ 855
Ending balance: collectively evaluated for impairment	$ 149,899	$ 25,324	$ 930,628	$ 110,069	$ 546	$ —	$ 1,216,466

The activity in the allowance for credit loss by loan class for the three and nine months ended September 30, 2023 and 2022 was as follows:

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for credit losses:							
Balance -June 30, 2023	$ 1,559	$ 118	$ 2,123	$ 515	$ 85	$ —	$ 4,400
Charge-offs	—	—	—	—	(71)	—	(71)
Recoveries	—	—	—	—	—	—	—
Provision (Benefit)	549	(8)	(206)	(30)	133	—	438
Balance -September 30, 2023	$ 2,108	$ 110	$ 1,917	$ 485	$ 147	$ —	$ 4,767

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for loan losses:							
Balance - June 30, 2022	$ 546	$ 198	$ 3,581	$ 865	$ 16	$ 261	$ 5,467
Charge-offs	—	—	—	—	(6)	—	(6)
Recoveries	—	—	—	—	—	—	—
Provision (Benefit)	(151)	(55)	312	66	25	(197)	—
Balance - September 30, 2022	$ 395	$ 143	$ 3,893	$ 931	$ 35	$ 64	$ 5,461

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for credit losses:							
Balance - December 31, 2022	$ 528	$ 131	$ 3,835	$ 955	$ 18	$ 7	$ 5,474
Impact of adopting ASC 326	895	7	(2,086)	(437)	44	(7)	(1,584)
Charge-offs	—	—	(159)	—	(127)	—	(286)
Recoveries	—	—	—	—	—	—	—
Provision (Benefit)	685	(28)	327	(33)	212	—	1,163
Balance - September 30, 2023	$ 2,108	$ 110	$ 1,917	$ 485	$ 147	$ —	$ 4,767

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for loan losses:							
Balance - December 31, 2021	$ 571	$ 381	$ 3,143	$ 973	$ 10	$ 164	$ 5,242
Charge-offs	—	—	—	—	(23)	—	(23)
Recoveries	189	53	—	—	—	—	242
Provision (Benefit)	(365)	(291)	750	(42)	48	(100)	—
Balance - September 30, 2022	$ 395	$ 143	$ 3,893	$ 931	$ 35	$ 64	$ 5,461

During the three and nine months ended September 30, 2023, the provision expenses recorded for residential real estate loans were primarily attributed to the increased loan balances. During the three months ended September 30, 2023, the credit provision recorded for construction loans was due to decreased loan balances. During the nine months ended September 30, 2023, the provision expenses recorded for construction loans were primarily attributed to the increased loan balances.

The Company has two individually evaluated loans, totaling $4.4 million, which were collateral-dependent construction loans, secured by multi-family real estate, at September 30, 2023. The two loans are secured by the same project located in the Bronx, New York, and are currently placed on non-accrual status. There was no interest income recognized from non-accrual loans as of September 30, 2023. There were no non-accrual loans at December 31, 2022.

The following table shows our recorded investment, unpaid principal balance and allocated allowance for credit losses for loans that were considered nonperforming and impaired as of and for the periods presented:

As of and for the Three and Nine Months Ended September 30, 2023 and September 30, 2022:

2023 - Nonperforming	Recorded Investment	Unpaid Principal Balance	Related Allowance	Three Months Ended September 30, 2023 Average Recorded Investment	Three Months Ended September 30, 2023 Interest Income Recognized	Nine Months Ended September 30, 2023 Average Recorded Investment	Nine Months Ended September 30, 2023 Interest Income Recognized
				(In Thousands)			
With no related allowance recorded:							
Residential real estate-Multi-family	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-residential real estate	—	—	—	—	—	—	—
Construction	4,381	4,353	—	4,381	—	4,834	—
Commercial and industrial	—	—	—	—	—	—	—
	4,381	4,353	—	4,381	—	4,834	—
With an allowance recorded	—	—	—	—	—	—	—
Total:							
Residential real estate-Multi-family	—	—	—	—	—	—	—
Non-residential real estate	—	—	—	—	—	—	—
Construction	4,381	4,353	—	4,381	—	4,834	—
Commercial and industrial	—	—	—	—	—	—	—
	$ 4,381	$ 4,353	$ —	$ 4,381	$ —	$ 4,834	$ —

2022 - Impaired	Recorded Investment	Unpaid Principal Balance	Related Allowance	Three Months Ended September 30, 2022 Average Recorded Investment	Three Months Ended September 30, 2022 Interest Income Recognized	Nine Months Ended September 30, 2022 Average Recorded Investment	Nine Months Ended September 30, 2022 Interest Income Recognized
				(In Thousands)			
With no related allowance recorded:							
Residential real estate-Multi-family	$ 861	$ 861	$ —	$ 863	$ 11	$ 867	$ 33
Non-residential real estate	—	—	—	385	—	570	14
Construction	—	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—	—
	861	861	—	1,248	11	1,437	47
With an allowance recorded	—	—	—	—	—	—	—
Total:							
Residential real estate-Multi-family	861	861	—	863	11	867	33
Non-residential real estate	—	—	—	385	—	570	14
Construction	—	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—	—
	$ 861	$ 861	$ —	$ 1,248	$ 11	$ 1,437	$ 47

As of and for the Year Ended December 31, 2022:

2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In Thousands)		
With no related allowance recorded:					
Residential real estate-Multi-family	$ 855	$ 769	$ —	$ 863	$ 43
Non-residential real estate	—	—	—	385	14
Construction	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
	855	769	—	1,248	57
With an allowance recorded	—	—	—	—	—
Total:					
Residential real estate-Multi-family	855	769	—	863	43
Non-residential real estate	—	—	—	385	14
Construction	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
	$ 855	$ 769	$ —	$ 1,248	$ 57

The following tables provide information about delinquencies in our loan portfolio at the dates indicated.

Age Analysis of Past Due Loans as of September 30, 2023:

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
				(In Thousands)			
Residential real estate:							
One- to four-family	$ —	$ —	$ —	$ —	$ 5,303	$ 5,303	$ —
Multi-family	—	—	—	—	175,699	175,699	—
Mixed-use	—	—	—	—	28,533	28,533	—
Non-residential real estate	—	—	—	—	20,289	20,289	—
Construction loans	—	—	4,381	4,381	1,164,528	1,168,909	—
Commercial and industrial loans	—	—	—	—	107,963	107,963	—
Consumer	—	—	—	—	1,242	1,242	—
	$ —	$ —	$ 4,381	$ 4,381	$ 1,503,557	$ 1,507,938	$ —

Age Analysis of Past Due Loans as of December 31, 2022:

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
				(In Thousands)			
Residential real estate:							
One- to four-family	$ —	$ —	$ —	$ —	$ 5,467	$ 5,467	$ —
Multi-family	—	946	—	946	122,439	123,385	—
Mixed-use	—	—	—	—	21,902	21,902	—
Non-residential real estate	—	—	—	—	25,324	25,324	—
Construction loans	—	—	—	—	930,628	930,628	—
Commercial and industrial loans	—	—	—	—	110,069	110,069	—
Consumer	—	—	—	—	546	546	—
	$ —	$ 946	$ —	$ 946	$ 1,216,375	$ 1,217,321	$ —

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 to classify the loans as to credit risk. The Company uses the following definitions for risk ratings:

Pass – Loans that are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.

Special Mention – Loans which do not currently expose the Company to a sufficient degree of risk to warrant an adverse classification but have some credit deficiencies or other potential weaknesses.

Substandard – Loans which are inadequately protected by the paying capacity and net worth of the obligor or the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

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

The following table presents the risk category of loans at September 30, 2023 by loan segment and vintage year:

September 30, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	Term Loans Amortized Costs Basis by Origination Year								
Residential real estate									
Risk Rating									
Pass	$ 53,643	$ 72,141	$ 24,440	$ 10,756	$ 1,345	$ 46,294	$ -	$ -	$ 208,619
Special Mention	-	-	-	916	-	-	-	-	916
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 53,643	$ 72,141	$ 24,440	$ 11,672	$ 1,345	$ 46,294	$ -	$ -	$ 209,535
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-residential real estate									
Risk Rating									
Pass	$ -	$ 252	$ 2,131	$ 999	$ 382	$ 16,525	$ -	$ -	$ 20,289
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ 252	$ 2,131	$ 999	$ 382	$ 16,525	$ -	$ -	$ 20,289
Non-residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction									
Risk Rating									
Pass	$ 253,267	$ 543,534	$ 236,380	$ 56,220	$ 35,198	$ 39,929	$ -	$ -	$ 1,164,528
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	4,381	-	-	-	-	4,381
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 253,267	$ 543,534	$ 236,380	$ 60,601	$ 35,198	$ 39,929	$ -	$ -	$ 1,168,909
Construction									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 159	$ -	$ -	$ 159
Commercial and industrial									
Risk Rating									
Pass	$ 2,037	$ 8,701	$ 485	$ 520	$ 478	$ 2,313	$ 91,840	$ 1,589	$ 107,963
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 2,037	$ 8,701	$ 485	$ 520	$ 478	$ 2,313	$ 91,840	$ 1,589	$ 107,963
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer									
Risk Rating									
Pass	$ 1,219	$ -	$ -	$ -	$ -	$	$ 23	$ -	$ 1,242
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,219	$ -	$ -	$ -	$ -	$ -	$ 23	$ -	$ 1,242
Consumer									
Current period gross charge-offs	$ 127	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 127
Total									
Risk Rating									
Pass	$ 310,166	$ 624,628	$ 263,436	$ 68,495	$ 37,403	$ 105,061	$ 91,863	$ 1,589	$ 1,502,641
Special Mention	-	-	-	916	-	-	-	-	916
Substandard	-	-	-	4,381	-	-	-	-	4,381
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 310,166	$ 624,628	$ 263,436	$ 73,792	$ 37,403	$ 105,061	$ 91,863	$ 1,589	$ 1,507,938

The following table provides certain information related to the credit quality of our loan portfolio at December 31, 2022.

Credit Risk Profile by Internally Assigned Grade as of December 31, 2022:

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Total
			(In Thousands)			
Grade:						
Pass	$ 148,953	$ 25,324	$ 930,628	$ 110,069	$ 546	$ 1,215,520
Special Mention	946	—	—	—	—	946
Substandard	855	—	—	—	—	855
Doubtful	—	—	—	—	—	—
	$ 150,754	$ 25,324	$ 930,628	$ 110,069	$ 546	$ 1,217,321

Modifications to Borrowers Experiencing Financial Difficulty:

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay, or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were no loans modified to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2023 or the year ended December 31, 2022.

Allowance for Credit Losses on Off-Balance Sheet Commitments:

The following table presents the activity in the allowance for credit losses related to off-balance sheet commitments, that is included in Accounts Payable and Accrued Expenses on the consolidated statement of financial condition, for the three and nine months ended September 30, 2023:

	Allowance for Credit Loss
Balance – December 31, 2022	$ -
Impact of adopting ASC 326	1,586
Provision for credit loss	(200)
Balance – March 31, 2023	$ 1,386
Provision for credit loss	83
Balance – June 30, 2023	$ 1,469
Provision for credit loss	(278)
Balance – September 30, 2023	$ 1,191

Note 7 — Real Estate Owned (“REO”)

The Company owned one foreclosed property valued at approximately $ 1,456,000 at September 30, 2023 and $1,456,000 at December 31, 2022, consisting of an office building located in Pennsylvania. The property was acquired through foreclosure in December 2014.

Further declines in real estate values may result in impairment charges in the future. Routine holding costs are charged to expense as incurred and improvements to real estate owned that enhance the value of the real estate are capitalized. REO expense recorded in the consolidated statements of income amounted to $11,000 and $200,000 for the three months, and $52,000 and $252,000 for the nine months ended September 30, 2023 and 2022, respectively.

Note 8 — Federal Home Loan Bank of New York ("FHLB") Advances

Our borrowings include Federal Home Loan Bank of New York ("FHLB") advances and short-term borrowings from the Discount Window at the Federal Reserve Bank of New York ("FRBNY").

FHLB advances are summarized as follows at September 30, 2023 and December 31, 2022:

	September 30, 2023		December 31, 2022	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	(Dollars in Thousands)			
Advances maturing in:				
One year or less	$ 7,000	2.86 %	$ 7,000	2.83 %
After one to three years	—	— %	7,000	2.86 %
After five years (due 2030)	7,000	1.61 %	7,000	1.61 %
	$ 14,000	2.24 %	$ 21,000	2.43 %

At September 30, 2023, none of the above advances were subject to early call or redemption features. All advances had fixed interest rates, with the remaining term of nine months for one advance and seven years for the other advance. At September 30, 2023, the advances were secured by a pledge of the Company's investment in the capital stock of the FHLB and a blanket assignment of the Company's otherwise unpledged qualifying mortgage loans. At September 30, 2023, these unpledged qualifying mortgage loans were not pledged to any company other than the FHLB. At September 30, 2023, the Company had the ability to borrow $31.3 million, net of $14.0 million in outstanding advances, from the FHLB and $8.0 million from Atlantic Community Bankers Bank ("ACBB").

On August 30, 2023, the FRBNY approved the Company's eligibility to pledge loans under the Borrower-in-Custody program of the FRBNY thereby allowing the Company to borrow from the Discount Window at the FRBNY. As of September 30, 2023, the borrowing from FRBNY was $50.0 million, bearing an interest rate of 5.5% and matures on December 22, 2023. The Company had an available borrowing limit of $739.4 million from the FRBNY as of September 30, 2023.

Note 9 — Benefits Plans

Outside Director Retirement Plan ("DRP")

The DRP is an unfunded non-contributory defined benefit pension plan covering all non-employee directors meeting eligibility requirements as specified in the plan document. The following table sets forth information regarding the components of net pension periodic expense measured as of September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Thousands)		(Dollars In Thousands)	
Net periodic pension expense:				
Service cost	$ 31	$ 30	$ 93	$ 90
Interest cost	10	14	30	42
Actuarial (gain) loss recognized	(8)	7	(24)	20
Total net periodic pension expense included in other non-interest expenses	$ 33	$ 51	$ 99	$ 152

Unrecognized net loss of $18,000 and $23,000 for the three months, and $54,000 and $64,000 for the nine months ended September 30, 2023 and 2022, respectively, were included in accumulated other comprehensive income.

Supplemental Executive Retirement Plan ("SERP")

The SERP is a non-contributory defined benefit plan that covers certain officers of the Company. Under the SERP, each of these individuals will be entitled to receive upon retirement an annual benefit paid in monthly installments equal to 50% of his average base salary in the three-year period preceding retirement. Each individual may also retire early and receive a reduced benefit upon the attainment of certain age and years of service combination. Additional terms related to death while employed, death after retirement, disability before retirement and termination of employment are fully described within the plan document. The benefit payment term is the greater of 15 years or the executives remaining life. No benefits are expected to be paid during the next five years.

Expenses of $51,000 and $121,000 for the three months, and $ 162,000 and $361,000 for the nine months ended September 30, 2023 and 2022, respectively, were recorded for this plan and are reflected in the Consolidated Statements of Income under Salaries and Employee Benefits.

Stock-Based Deferral Plan

In June 2021, the Company established a stock-based deferral plan for eligible key executives and members of the Board of Directors of the Company to elect to defer compensation received from the Company for their services and make deemed investments of that deferred compensation in shares of the Company's common stock. At September 30, 2023, the Company did not have any obligations under the plan.

401(k) Plan

The Company maintains a 401(k) plan for all eligible employees. Participants are permitted to contribute from 1% to 15% or 60% of their annual compensation up to the maximum permitted under the Internal Revenue Code. The Company provided no matching contribution during the three and nine months ended September 30, 2023 and 2022.

Employee Stock Ownership Plan ("ESOP")

In conjunction with the Mid-Tier Holding Company's public stock offering in 2006, the Bank established an ESOP for all eligible employees (substantially all full-time employees). The ESOP borrowed $5,184,200 from the Mid-Tier Holding Company and used those funds to acquire 518,420 shares of the Mid-Tier Holding Company common stock at $ 10.00 per share. The loan from the Mid-Tier Holding Company, which has been assumed by the Company, carries an interest rate of 8.25% and is repayable in twenty annual installments through 2025.

In conjunction with the Company's second-step conversion offering, on July 12, 2021, the ESOP borrowed $7,827,260 from the Company and used those funds to acquire 782,726 shares of Company common stock at $ 10.00 per share. The loan from the Company carries an interest rate equal to 3.25% and is repayable in fifteen annual installments through 2035.

Each year, the Bank makes discretionary contributions to the ESOP equal to the principal and interest payment required on the loan from the Company. The ESOP may further pay down the principal balance of the loans by using dividends paid, if any, on the shares of Company common stock it owns. The balance remaining on the first ESOP loan was $1,327,000 at September 30, 2023 and December 31, 2022. The balance remaining on the second ESOP loan was $6,850,000 at September 30, 2023 and December 31, 2022.

Shares purchased with the loan proceeds serve as collateral for the loan and are held in a suspense account for future allocation among ESOP participants. As the loan principal is repaid, shares will be released from the suspense account and become eligible for allocation. The allocation among plan participants will be as described in the ESOP governing document.

ESOP shares initially pledged as collateral were recorded as unearned ESOP shares in the stockholders' equity section of the consolidated statement of financial condition. Thereafter, on a monthly basis over the terms of the ESOP loans, approximately 2,894 shares for the ESOP loan made in 2006 and approximately 4,348 shares for the ESOP loan made in 2021 are committed to be released respectively. Compensation expense is recorded equal to the shares committed to be released multiplied by the average closing price of the Company's stock during that month. ESOP expense totaled approximately $340,000 and $271,000 for the three months, and $ 960,000 and $775,000 for the nine months ended September 30, 2023 and 2022, respectively. Dividends on unallocated shares, which totaled approximately $47,000 and $52,000 for the three months, and $ 141,000 and $313,000 for the nine months ended September 30, 2023 and 2022, are recorded as a reduction of the ESOP loan. Dividends on allocated shares, which totaled approximately $42,000 and $36,000 for the three months, and $ 125,000 and $219,000 for the nine months ended September 30, 2023 and 2022, respectively, are charged to retained earnings.

ESOP shares are summarized as follows:

	September 30, 2023	December 31, 2022
Allocated shares	694,848	607,922
Shares committed to be released	65,187	86,920
Unearned shares	717,374	782,567
Total ESOP Shares	1,477,409	1,477,409
Less allocated shares distributed to former or retired employees	(143,612)	(122,280)
Total ESOP Shares Held by Trustee	1,333,797	1,355,129
Fair value of unearned shares	$ 10,588,440	$ 11,675,897

Note 10 — Leases

The Company has operating leases and finance leases all comprised of real estate property. The operating leases comprise substantially all of the Company's obligations in which the Company is the lessee, with remaining lease terms ranging between 2 and 9 years. Most operating lease agreements consist of initial lease terms ranging between 5 and 10 years, with options to renew the leases or extend the term. The finance lease has a remaining lease term of 95 years. The payment structure of all leases is fixed rental payments with lease payments increasing on pre-determined dates at either a predetermined amount or change in the consumer price index.

In accordance with ASC 842, the Company recognized operating and financing lease assets and corresponding lease liabilities related to office facilities and retail branches. The operating and financing lease assets represent the Company's right to use an underlying asset for the lease term, and the lease liability represents the Company's obligation to make lease payments over the lease term. The Company has elected that any short term leases would be expensed as incurred.

The operating and financing lease asset and lease liability are determined at the commencement date of the lease based on the present value of the lease payments. Our leases do not provide an implicit interest rate. The company used its incremental borrowing rate, the rate of interest to borrow in a collateralized basis for a similar term, at the lease commencement date.

All of the leases are net leases and, therefore, do not contain non-lease components. The Company either pays directly or reimburses the lessor for property and casualty insurance cost and the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the property which are categorized as non-components as outlined in the applicable guidance.

At September 30, 2023 and December 31, 2022, the quantitative data relating to the Company's leases are as follows (in thousands):

	September 30, 2023	December 31, 2022
Finance Lease Amounts:		
ROU asset	$ 352	$ 355
Lease liability	$ 561	$ 533
Operating Lease Amounts:		
ROU assets	$ 1,935	$ 2,312
Lease liabilities	$ 1,991	$ 2,363
Weighted-average remaining lease term		
Finance lease	93 years	94 years
Operating leases	5.80 years	6.19 years
Weighted-average discount rate		
Finance lease	9.50 %	9.50 %
Operating leases	1.40 %	1.50 %

The components of lease expense and cash flow information related to leases as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Dollars In Thousands)		(Dollars In Thousands)	
Finance Lease Cost				
Amortization of ROU asset	$ 1	1	$ 3	$ 3
Interest on lease liability	$ 10	9	$ 28	$ 28
Operating Lease Costs	$ 127	140	$ 380	$ 423
Cash paid for amounts included in the measurement of lease liabilities				
Finance lease	$ —	—	$ —	$ —
Operating leases	$ 125	279	$ 373	$ 417

Maturities of lease liabilities at September 30, 2023 are as follows (in thousands):

	Operating Leases	Finance Lease
Years ended December 31:		
2023	$ 92	$ 7
2024	436	30
2025	398	30
2026	235	31
2027	239	33
Thereafter	636	4,016
Total lease payments	$ 2,036	$ 4,147
Interest	(45)	(3,586)
Lease liability	$ 1,991	$ 561

Note 11 — Fair Value Disclosures

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Company's securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company has to record at fair value other assets and liabilities on a non-recurring basis, such as securities held to maturity, impaired loans and other real estate owned. U.S. GAAP has established a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

The level of the asset or liability within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following table sets forth the Company's assets that are carried at fair value on a recurring basis and the level that was used to determine their fair value at September 30, 2023 and December 31, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total Carried at Fair Value on a Recurring Basis	
Description	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Assets:								
Marketable equity securities:								
Mutual funds	$ 17,714	$ 18,041	$ —	$ —	**$ —**	**$ —**	$ 17,714	$ 18,041
Mortgage-backed securities								
FHLMC	—	—	—	1	—	—	—	1
Total assets	$ 17,714	$ 18,041	$ —	$ 1	$ —	$ —	$ 17,714	$ 18,042

There were no transfers between Level 1 and 2 during the three and nine months ended September 30, 2023 or the year ended December 31, 2022. The Company did not have any liabilities that were carried at fair value on a recurring basis at September 30, 2023 and December 31, 2022.

The following table sets forth the Company's assets that are carried at fair value on a non-recurring basis and the level that was used to determine their fair value, at September 30, 2023 and December 31, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total Carried at Fair Value on a Non-Recurring Basis	
Description	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
				(In Thousands)				
Assets:								
Loans individually evaluated	$ —	$ —	$ —	$ —	$ 4,381	$ 855	$ 4,381	$ 855
Real estate owned	—	—	—	—	1,456	1,456	1,456	1,456
Total assets	$ —	$ —	$ —	$ —	$ 5,837	$ 2,311	$ 5,837	$ 2,311

The following tables present the qualitative information about non-recurring Level 3 fair value measurements of financial instruments at September 30, 2023 and December 31, 2022:

	At September 30, 2023				
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
			(In Thousands)		
Assets:					
Loans individually evaluated	$ 4,381	Income approach	Capitalization rate	6.00 %	6.00 %
Real estate owned	1,456	Income approach	Capitalization rate	12.00 %	12.00 %

	At December 31, 2022				
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
			(In Thousands)		
Assets:					
Impaired loans	$ 855	Income approach	Capitalization rate	5.60 %	5.60 %
Real estate owned	1,456	Income approach	Capitalization rate	12.00 %	12.00 %

The Company did not have any liabilities that were carried at fair value on a non-recurring basis at September 30, 2023 and December 31, 2022.

The methods and assumptions used to estimate fair value at September 30, 2023 and December 31, 2022 are as follows:

For real estate owned, fair value is generally determined through independent appraisals or fair value estimations of the underlying properties which generally include various Level 3 inputs which are not identifiable. The appraisals or fair value estimation may be adjusted by management for qualitative reasons and estimated liquidation expenses. Management's assumptions may include consideration of location and occupancy of the property and current economic conditions. Subsequently, as these properties are actively marketed, the estimated fair values may be periodically adjusted through incremental subsequent write-downs to reflect decreases in estimated values resulting from sales price observations and the impact of changing economic and market conditions.

A loan is considered individually evaluated for credit loss when, based upon current information and events, it is probable that the Company will be unable to collect all scheduled payments in accordance with the contractual terms of the loan. Individually evaluated loans that are collateral dependent are written down to fair value through the establishment of specific reserves, a component of the allowance for credit losses or through partial charge-offs, and as such are carried at the lower of cost or the fair value. Estimates of fair value of the collateral are determined based on a variety of information, including available valuations from certified appraisers for similar assets, present value of discounted cash flows and inputs that are estimated based on commonly used and generally accepted industry liquidation advance rates and estimates and assumptions developed by management. The appraisals may be adjusted by management for estimated liquidation expenses and qualitative factors such as economic conditions. If real estate is not the primary source of repayment, present value of discounted cash flows and estimates using generally accepted industry liquidation advance rates are utilized. Due to the multitude of assumptions, many of which are subjective in nature, and the varying inputs and techniques used by appraisers, the Company recognizes that valuations could differ across a wide spectrum of valuation techniques employed and accordingly, fair value estimates for impaired loans are classified as Level 3.

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 sales transaction on the dates indicated. The estimated 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 estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments at September 30, 2023 and December 31, 2022:

Securities

Fair values for marketable equity securities are determined by quoted market prices on nationally recognized and foreign securities exchanges (Level 1). Fair values for securities available for sale and held to maturity are determined utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider 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 prepayments speeds, credit information and the security's terms and conditions, among other things.

The carrying amounts and estimated fair value of our financial instruments are as follows:

			Fair Value at September 30, 2023		
(In thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and cash equivalents	$ 106,723	$ 106,723	$ 106,723	$ —	$ —
Certificates of deposit	100	100	—	100	—
Marketable equity securities	17,714	17,714	17,714	—	—
Securities available for sale	—	—	—	—	—
Securities held to maturity	15,524	11,909	—	11,909	—
Loans receivable, net	1,503,403	1,473,766	—	—	1,473,998
Investments in restricted stock	929	929	—	929	—
Accrued interest receivable	11,323	11,323	—	11,323	—
Financial Liabilities					
Deposits	1,365,634	1,360,276	—	1,360,276	—
Borrowings	64,000	62,707	—	62,707	—

(In thousands)	Carrying Amount	Fair Value	Fair Value at December 31, 2022 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and cash equivalents	$ 95,308	$ 95,308	$ 95,308	$ —	$ —
Certificates of deposit	100	100	—	100	—
Marketable equity securities	18,041	18,041	18,041	—	—
Securities available for sale	1	1	—	1	—
Securities held to maturity	26,395	22,865	—	22,865	—
Loans receivable, net	1,212,219	1,191,483	—	—	1,191,483
Investments in restricted stock	1,238	1,238	—	1,238	—
Accrued interest receivable	8,597	8,597	—	8,597	—
Financial Liabilities					
Deposits	1,121,955	1,121,107	—	1,121,107	—
FHLB of New York advances	21,000	19,437	—	19,437	—

Note 12 — Revenue Recognition

The majority of the Company's revenues come from interest income and other sources, including loans and securities that are outside the scope of ASC 606, Revenue from Contracts with Customers. The Company's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligation to the customer. Services within the scope of ASC 606 include deposit service charges on deposits, electronic banking fees and charges income, and investment advisory fees.

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's noninterest revenue streams are largely based on transactional activity, or standard month-end revenue accruals such as referral fees based month end reports. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of September 30, 2023, the Company did not have any significant contract balances.

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the three and nine months ended September 30, 2023 and 2022. Sources of revenue outside the scope of ASC 606 are noted as such:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In Thousands)		(In Thousands)	
Non-interest income:				
Deposit-related fees and charges	$ 15	$ 17	$ 42	$ 53
Loan-related fees and charges[(1)]	106	308	652	861
Electronic banking fees and charges	243	219	723	648
Gain on disposition of equipment[(1)]	—	52	—	98
Income from bank owned life insurance[(1)]	153	153	857	450
Investment advisory fees	114	107	343	364
Unrealized loss on equity securities[(1)]	(430)	(573)	(327)	(1,636)
Miscellaneous[(1)]	20	26	67	66
Total non-interest income	$ 221	$ 309	$ 2,357	$ 904

(1) Not within the scope of ASC 606.

A description of the Company's revenue streams accounted for under ASC 606 is as follows:

Service Charges on Deposit Accounts

The Company earns fees from deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed at the point in the time the Company fulfills the customer's request. The Company discontinued the imposition of overdraft fees on all consumer and business accounts in August 2022. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Electronic Banking Fee Income

The Company earns interchange fees from debit and credit card holder transactions conducted through various payment networks. Interchange fees from cardholder transactions are recognized daily, concurrently with the transaction processing services provided by an outsourced technology solution.

Investment Advisory Fees

The Company earns fees from investment advisory and financial planning services under the name of Harbor West Financial Planning Wealth Management, a division of the Company through a networking arrangement with a registered broker-dealer and investment advisor. The registered broker-dealer deducts investment advisory fees and financial planning services fees from the client's assets under management and remits the fees, net of administrative fees, to the Company on a monthly basis. The Company recognizes the fees into non-interest income upon receipt of the monthly remittances.

Note 13 — Other Non-Interest Expenses

The following is an analysis of other non-interest expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In Thousands)		(In Thousands)	
Other	$ 1,105	$ 751	$ 2,771	$ 2,088
Service contracts	364	275	1,040	804
Consulting expense	191	251	612	710
Telephone	167	145	486	437
Directors compensation	217	155	666	436
Audit and accounting	159	163	376	463
Insurance	97	95	290	273
Director, officer, and employee expense	62	73	190	201
Legal fees	238	283	474	640
Office supplies and stationary	44	23	132	100
Recruiting expense	2	23	27	68
	$ 2,646	$ 2,237	$ 7,064	$ 6,220

Note 14 — Earnings Per Share

Basic earnings per share is calculated by dividing the net income available to common stockholders by the weighted average number of common shares outstanding during the period less any unvested restricted shares. Unallocated common shares held by the Employee Stock Ownership Plan ("ESOP") are not included in the weighted-average number of common shares outstanding for purposes of calculating basic net income per common share until they are committed to be released. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options and are determined using the treasury stock method. The following table sets forth the weighted average shares outstanding used in the computations of basic and diluted earnings per share.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(In Thousands, except per share data)		(In Thousands, except per share data)	
Net income (basic and diluted)	$ 11,843	$ 7,542	$ 34,175	$ 16,580
Weighted average shares issued	15,855	16,348	15,233	16,348
Less: Weighted average unearned ESOP shares	(769)	(812)	(747)	(833)
Less: Weighted average unvested restricted shares	(343)	—	(343)	—
Basic weighted average shares outstanding	14,743	15,536	14,143	15,515
Add: Dilutive effect of restricted stock	76	—	49	—
Add: Dilutive effect of stock option	3	—	—	—
Diluted weighted average shares outstanding	14,822	15,536	14,192	15,515
Net income per share				
Basic	$ 0.80	$ 0.49	$ 2.42	$ 1.07
Diluted	$ 0.80	$ 0.49	$ 2.41	$ 1.07

Note 15 — Stock Compensation Plans

At a special shareholders meeting held on September 29, 2022, the Company's shareholders approved the Company's 2022 Equity Incentive Plan whereby 1,369,771 shares of the Company's common stock were reserved from authorized but unissued shares for purposes of grants of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, performance shares and performance units to selected employees and non-employee directors of the Company. Under this plan, 86,880 shares of restricted stock and 217,206 nonqualified stock options in the aggregate were awarded to six non-employee directors of the Company on September 30, 2022, and 265,157 shares of restricted stock and 662,891 nonqualified stock options were in the aggregate awarded to employees of the Company on November 17, 2022. The restricted shares and nonqualified stock options vest at a rate of 20% per year from the date of the grants.

The product of the number of shares granted and the grant date market price of the Company's common stock determine the fair value of restricted stock under the Company's 2022 Equity Incentive plan. Management recognizes compensation expense for the fair value of restricted stock on a straight-line basis over the requisite service period for the entire award. As of September 30, 2023 and December 31, 2022, there were 137,637 shares available for future awards under this plan, which includes 98,311 shares available for stock options and 39,326 shares available for restricted stock awards.

A summary of the Company's restricted stock activity and related information for the three and nine months ended September 30, 2023 follows:

	2023	
	Shares	Weighted Average Grant-Date Market Price
Outstanding at December 31, 2022	352,037	$ 13.67
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding at March 31, 2023	352,037	$ 13.67
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding at June 30, 2023	352,037	$ 13.67
Granted	—	—
Forfeited	—	—
Vested	17,376	—
Outstanding at September 30, 2023	334,661	$ 13.67

Compensation expense related to restricted stock was $241,000 and $723,000 for the three and nine months ended September 30, 2023. At September 30, 2023 and December 31, 2022, the total compensation cost related to non-vested awards that has not yet been recognized was $4.0 million and $4.7 million, respectively, which is expected to be recognized over the next 5 years.

A summary of the Company's stock option activity and related information for the three and nine months ended September 30, 2023 follows:

	2023		
	Options		**Weighted Average Grant-Date Market Price**
Outstanding at December 31, 2022	880,097	$	13.67
Granted	—		—
Forfeited	—		—
Exercised	—		—
Outstanding at March 31, 2023	880,097	$	13.67
Exercisable at March 31, 2023	—		—
Granted	—		—
Forfeited	—		—
Exercised	—		—
Outstanding at June 30, 2023	880,097	$	13.67
Exercisable at June 30, 2023	—		—
Granted	—		—
Forfeited	—		—
Exercised	—		—
Outstanding at September 30, 2023	880,097	$	13.67
Exercisable at September 30, 2023	43,441		13.67

Compensation cost related to stock options is recognized based on the fair value of the stock options at the grant date on a straight line basis over the vesting period. Compensation expense related to stock options was $192,000 and $576,000 for the three and nine months ended September 30, 2023. At September 30, 2023 and December 31, 2022, unrecognized compensation cost related to stock option awards was $3.2 million and $3.7 million, respectively, which is expected to be recognized over the next 5 years.

Note 16 — Recent Accounting Pronouncements

In July 2023, the FASB issued ASU 2023-03, Presentation of Financial Statements (Topic 205), Income Statement-Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation-Stock Compensation (Topic 718), which amends or supersedes various SEC paragraphs within the Codification to conform to past SEC announcements and guidance issued by the SEC. The ASU does not provide any new guidance so there is no transition or effective date associated with it. This ASU did not have a significant impact on the Company's financial statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Statements contained in this report that are not historical facts may constitute forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended), which involve significant risks and uncertainties. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by the use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” “plan,” or similar expressions. The Company’s ability to predict results or the actual effect of future plans or strategies is inherently uncertain and actual results may differ from those predicted. The Company undertakes no obligation to update these forward-looking statements in the future.

The Company cautions readers of this report that a number of important factors could cause the Company’s actual results to differ materially from those expressed in forward-looking statements. Factors that could cause actual results to differ from those predicted and could affect the future prospects of the Company include, but are not limited to: (i) general economic conditions, including higher inflation, either nationally or in our market area, that are worse than expected; (ii) changes in the interest rate environment that reduce our interest margins, reduce the fair value of financial instruments or reduce the demand for our loan products; (iii) increased competitive pressures among financial services companies; (iv) changes in consumer spending, borrowing and savings habits; (v) changes in the quality and composition of our loan or investment portfolios; (vi) changes in real estate market values in our market area; (vii) decreased demand for loan products, deposit flows, competition, or decreased demand for financial services in our market area; (viii) major catastrophes such as earthquakes, floods or other natural or human disasters and pandemics or infectious disease outbreaks, the related disruption to local, regional and global economic activity and financial markets, and the impact that any of the foregoing may have on us and our customers and other constituencies; (ix) legislative or regulatory changes that adversely affect our business or changes in the monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board; (x) technological changes that may be more difficult or expensive than expected; (xi) success or consummation of new business initiatives may be more difficult or expensive than expected; (xii) the inability to successfully integrate acquired businesses and financial institutions into our business operations; (xiii) adverse changes in the securities markets; (xiv) the impact of failures or disruptions in or breaches of the Company’s operational or security systems, data or infrastructure, or those of third parties, including as a result of cyberattacks or campaigns; (xv) the inability of third party service providers to perform; and (xvi) changes in accounting policies and practices, as may be adopted by bank regulatory agencies or the Financial Accounting Standards Board.

Critical Accounting Policies

We consider accounting policies involving significant judgements and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. We consider these accounting policies to be our crucial accounting policies. The judgements and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Actual results could differ from these judgements and estimates under different conditions, resulting in a change that could have a material impact on the carrying values of our assets and liabilities and our results of operations.

We consider the allowance for credit losses (“ACL”) to be a critical accounting policy. In connection with the Company’s adoption of Topic 326 effective January 1, 2023, the Company adopted the three applicable components of the ACL: an ACL related to loans, an ACL related to held-to-maturity (“HTM”) securities, and an ACL related to off-balance sheet credit exposures. See Note 1, Summary of Significant Accounting Policies, for additional information on the adoption of ASC 326.

Balance Sheet Analysis

General

Total assets increased by $295.0 million, or 20.7%, to $1.7 billion at September 30, 2023, from $1.4 billion at December 31, 2022. The increase in assets was primarily due to an increase in net loans of $291.2 million and an increase in cash and cash equivalents of $11.4 million, partially offset by a decrease in securities held-to-maturity of $10.9 million.

Cash and cash equivalents increased by $11.4 million, or 12.0%, to $106.7 million at September 30, 2023 from $95.3 million at December 31, 2022. The increase in cash and cash equivalents was a result of a decrease in securities held-to-maturity of $10.9 million, increases in deposits of $243.7 million and increases in borrowings of $43.0 million used to fund an increase of $291.2 million in net loans, partially offset by stock repurchases of $21.8 million.

Equity securities decreased by $327,000, or 1.8%, to $17.7 million at September 30, 2023 from $18.0 million at December 31, 2022. The decrease in equity securities was attributable to market depreciation of $327,000 due to market interest rate volatility during the nine months ended September 30, 2023.

Securities held-to-maturity decreased by $10.9 million, or 41.2%, to $15.5 million at September 30, 2023 from $26.4 million at December 31, 2022 due to the maturity of $10.0 million in U.S. Treasury holdings, the establishment of $131,000 in an allowance for credit losses for held-to-maturity securities, and to maturities and pay-downs of various investment securities.

The allowance for credit losses for held-to-maturity securities totaling $131,000 was established pursuant to the adoption of the current expected credit losses model (“CECL”) on held-to-maturity investment securities loss exposures. In this regard, we recognized a one-time credit of $132,000 due to the adoption of CECL at January 1, 2023, partially offset by a credit loss expense reduction totaling $1,000 during the nine months ended September 30, 2023.

Loans, net of the allowance for credit losses, increased by $291.2 million, or 24.0%, to $1.5 billion at September 30, 2023 from $1.2 billion at December 31, 2022. The increase in loans, net of the allowance for credit losses, was primarily due to loan originations of $653.0 million during the nine months ended September 30, 2023, consisting primarily of $575.8 million in construction loans with respect to which approximately 40.5% of the funds were disbursed at loan closings, with the remaining funds to be disbursed over the terms of the construction loans. In addition, we originated $45.5 million in multi-family loans, $23.5 million in commercial and industrial loans, and $8.2 million in mixed-use loans.

Loan originations resulted in a net increase of $238.3 million in construction loans, $52.3 million in multi-family loans, $6.6 million in mixed-use loans, and $696,000 in consumer loans. The increase in our loan portfolio was partially offset by decreases of $5.0 million in non-residential loans, $2.1 million in commercial and industrial loans, and $164,000 in residential loans, coupled with normal pay-downs and principal reductions.

The allowance for credit losses related to loans decreased to $4.8 million as of September 30, 2023 from $5.5 million as of December 31, 2022. The decrease in the allowance for credit losses related to loans was due to a one-time decrease of $1.6 million due to the adoption of CECL at January 1, 2023 and charge-offs of $285,000, partially offset by provision for credit losses totaling $1.2 million.

Premises and equipment decreased by $540,000, or 2.1%, to $25.5 million at September 30, 2023 from $26.1 million at December 31, 2022 primarily due to depreciation of fixed assets.

Investments in Federal Home Loan Bank stock decreased by $309,000, or 25.0%, to $929,000 at September 30, 2023 from $1.2 million at December 31, 2022 due primarily to a reduction in mandatory Federal Home Loan Bank stock in connection with the maturity of $7.0 million in advances during the nine months ended September 30, 2023.

Bank owned life insurance (“BOLI”) decreased by $970,000, or 3.7%, to $24.9 million at September 30, 2023 from $25.9 million at December 31, 2022 due to two death claims totaling $1.8 million on BOLI policies, partially offset by increases in the BOLI cash value.

Accrued interest receivable increased by $2.7 million, or 31.7%, to $11.3 million at September 30, 2023 from $8.6 million at December 31, 2022 due to an increase in the loan portfolio and interest rate increases in 2023 that resulted in an increase in the interest rates on loans in our construction loan portfolio.

Foreclosed real estate was $1.5 million at September 30, 2023 and December 31, 2022. Right of use assets — operating decreased by $377,000, or 16.3%, to $1.9 million at September 30, 2023 from $2.3 million at December 31, 2022, primarily due to amortization. Other assets increased by $3.1 million, or 57.7%, to $8.4 million at September 30, 2023 from $5.3 million at December 31, 2022 due to an increase in tax assets of $3.0 million and an increase in suspense accounts of $115,000.

Total deposits increased by $243.7 million, or 21.7%, to $1.4 billion at September 30, 2023 from $1.1 billion at December 31, 2022. The increase was primarily due to a shift in deposits whereby certificates of deposit increased by $364.3 million, or 73.7%, partially offset by decreases in non-interest bearing demand deposits of $67.1 million, or 17.8%, savings account balances of $46.3 million, or 16.9%, and NOW/money market accounts of $7.2 million, or 8.2%.

Federal Home Loan Bank advances decreased by $7.0 million, or 33.3%, to $14.0 million at September 30, 2023 from $21.0 million at December 31, 2022 due to maturity of borrowings. Federal Reserve Bank borrowings increased to $50.0 million at September 30, 2023 from none at December 31, 2022.

Advance payments by borrowers for taxes and insurance increased by $141,000, or 6.0%, to $2.5 million at September 30, 2023 from $2.4 million at December 31, 2022 due primarily to accumulation of real estate tax payments remitted by borrowers.

Lease liability – operating decreased by $372,000, or 15.7%, to $2.0 million at September 30, 2023 from $2.4 million at December 31, 2022, primarily due to repayments.

Accounts payable and accrued expenses decreased by $1.9 million, or 13.0%, to $12.8 million at September 30, 2023 from $14.8 million at December 31, 2022 due primarily to a decrease in suspense accounts for loan closings of $2.5 million and a decrease in accrued bonus expense of $1.6 million for employees, partially offset by an increase in the allowance for credit losses for off-balance sheet commitments totaling $1.2 million and an increase of $538,000 in accounts payable.

The allowance for credit losses for off-balance sheet commitments was $1.2 million at September 30, 2023 due to a one-time credit of $1.6 million resulting from the adoption of CECL at January 1, 2023, partially offset by a credit loss expense reduction totaling $395,000 during the nine months ended September 30, 2023.

Stockholders' equity increased by $10.4 million, or 4.0% to $272.4 million at September 30, 2023, from $262.0 million at December 31, 2022. The increase in stockholders' equity was due to net income of $34.2 million for the nine months ended September 30, 2023, $1.3 million in the amortization of restricted stock and stock options granted in connection with the 2022 Equity Incentive Plan, a reduction of 652,000 in unearned employee stock ownership plan shares coupled with an increase of $308,000 in earned employee stock ownership plan shares, and $22,000 in other comprehensive income, partially offset by stock repurchases totaling $21.8 million, dividends paid and declared of $2.5 million, and a one-time adjustment to retained earnings of $99,000 due to the adoption of CECL.

Results of Operations for the Three Months Ended September 30, 2023 and 2022

Financial Highlights

Net income for the three months ended September 30, 2023 was $11.8 million compared to net income of $7.5 million for the three months ended September 30, 2022. The increase in net income of $4.3 million, or 57.0%, between periods was primarily due to an increase in net interest income, partially offset by an increase in provision for credit losses, a decrease in non-interest income, an increase in non-interest expense, and an increase in income tax expense.

Net Interest Income

Net interest income totaled $25.1 million for the three months ended September 30, 2023, as compared to $17.5 million for the three months ended September 30, 2022. The increase in net interest income of $7.7 million, or 43.9%, was primarily due to an increase in interest income offset by an increase in interest expense.

The increase in interest income is attributable to increases in the average balances of loans and interest-bearing deposits, partially offset by decreases in the average balances of investment securities and FHLB stock. The increase in interest income is also attributable to a rising interest rate environment due to the Federal Reserve's interest rate increases in the past year.

The increase in market interest rates in the past year also caused an increase in our interest expense. As a result, the increase in interest expense for the three months ended September 30, 2023 was due to an increase in the cost of funds on our deposits, partially offset by a decrease in the average balance of our borrowed money. The increase in interest expense was also due to an increase in the balances on our certificates of deposits, offset by decreases in the balances on our savings and club deposits, our interest-bearing demand deposits, and our borrowed money.

Total interest and dividend income increased by $15.8 million, or 81.3%, to $35.1 million for the three months ended September 30, 2023 from $19.4 million for the three months ended September 30, 2022. The increase in interest and dividend income was due to an increase in the average balance of interest earning assets of $381.3 million, or 32.1%, to $1.6 billion for the three months ended September 30, 2023 from $1.2 billion for the three months ended September 30, 2022 and an increase in the yield on interest earning assets by 243 basis points from 6.52% for the three months ended September 30, 2022 to 8.95% for the three months ended September 30, 2023.

Interest expense increased by $8.1 million, or 420.2%, to $10.0 million for the three months ended September 30, 2023 from $1.9 million for the three months ended September 30, 2022. The increase in interest expense was due to an increase in the cost of interest bearing liabilities by 263 basis points from 1.23% for the three months ended September 30, 2022 to 3.86% for the three months ended September 30, 2023 and an increase in average interest bearing liabilities of $413.2 million, or 66.2%, to $1.0 billion for the three months ended September 30, 2023 from $624.0 million for the three months ended September 30, 2022.

Net interest margin increased by 52 basis points, or 8.8%, during the three months ended September 30, 2023 to 6.40% compared to 5.88% during the three months ended September 30, 2022.

Provision for Credit Losses.

The Company recorded credit loss expenses totaling $156,000 for the three months ended September 30, 2023 compared to no credit loss expense for the three months ended September 30, 2022. The credit loss expense of $156,000 for the three months ended September 30, 2023 was comprised of credit loss expense for loans of $438,000, partially offset by credit loss expense reduction for off-balance sheet commitments of $278,000 and credit loss expense reduction for held-to-maturity investment securities of $4,000.

We charged-off $71,000 during the three months ended September 30, 2023 as compared to charge-offs of $6,000 during the three months ended September 30, 2022. The charge-offs of $71,000 and $6,000 during the three months ended September 30, 2023 and 2022, respectively, were against various unpaid overdrafts in our demand deposit accounts. We recorded no recoveries from previously charged-off loans during the three months ended September 30, 2023 and 2022.

Based on a review at September 30, 2023 of the loans that were in the loan portfolio, our off-balance sheet credit exposures, and our HTM investment securities, management believes that the allowances for these three components are maintained at a level that represents our best estimate of inherent losses in the loan portfolio, off-balance sheet credit exposures, and HTM investment securities that were both probable and reasonably estimable.

Management uses available information to establish the appropriate level of the three ACLs. Future additions or reductions to the three ACLs might be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. As a result, our three ACLs might not be sufficient to cover actual credit losses, and future provisions for credit losses could materially adversely affect our operating results. In addition, various regulatory agencies, as an integral part of their examination process, periodically review our three ACLs. Such agencies may require us to recognize adjustments to the three ACLs based on their judgments about information available to them at the time of their examination.

Non-Interest Income

Non-interest income for the three months ended September 30, 2023 was $221,000 compared to non-interest income of $309,000 for the three months ended September 30, 2022. The decrease of $88,000, or 28.5%, in total non-interest income was primarily due to a decrease of $180,000 in other loan fees and service charges, a decrease of $52,000 in gain on sale of fixed assets, and a decrease of $6,000 in other non-interest income, partially offset by an increase of $7,000 in investment advisory fees and a decrease of $143,000 in unrealized loss on equity securities.

The decrease in other loan fees and service charges was due to a decrease of $202,000 in other loan fees and loan servicing fees and a decrease of $3,000 in deposit account fees, partially offset by an increase of $25,000 in ATM/debit card/ACH fees.

The decrease in unrealized loss on equity was due to an unrealized loss of $430,000 on equity securities during the three months ended September 30, 2023 compared to an unrealized loss of $573,000 on equity securities during the three months ended September 30, 2022. The unrealized loss of $430,000 on equity securities during the three months ended September 30, 2023 was due to market interest rate volatility during the quarter ended September 30, 2023.

Non-Interest Expense

Non-interest expense increased by $1.1 million, or 14.0%, to $8.9 million for the three months ended September 30, 2023 from $7.8 million for the three months ended September 30, 2022. The increase resulted primarily from increases of $721,000 in salaries and employee benefits, $409,000 in other operating expense, $96,000 in outside data processing expense, $55,000 in advertising expense, and $18,000 in occupancy expense, partially offset by decreases of $188,000 in real estate owned expense and $19,000 in equipment expense.

Salaries and employee benefits increased by $721,000, or 18.1%, to $4.7 million for the three months ended September 30, 2023 from $4.0 million for the three months ended September 30, 2022 primarily due to the hiring of additional personnel to support the growth of the Company, the amortization of expenses related to the 2022 Equity Incentive Plan awards of restricted stocks and options, and a decrease in loan origination expenses related to loan origination fees due to a decrease in loan originations.

Other non-interest expense increased by $409,000, or 18.3%, to $2.6 million for the three months ended September 30, 2023 from $2.2 million for the three months ended September 30, 2022 due mainly to increases of $354,000 in miscellaneous other non-interest expense, $89,000 in service contracts expense, $61,000 in directors compensation, $22,000 in telephone expense, $21,000 in office supplies, and $3,000 in insurance expense. These increases were partially offset by decreases of $60,000 in consulting fees, $44,000 in legal fees, $21,000 in expenses related to the hiring of personnel, $10,000 in directors, officers, and employee expenses, and $5,000 in audit and accounting fees.

The increase of $354,000 in miscellaneous other non-interest expense was mainly due to increases of $367,000 in regulatory insurance premiums and assessments due to an increase in our total assets, $33,000 in dues and subscriptions, $20,000 in miscellaneous expenses, $5,000 in check and correspondence bank charges, and $2,000 in postage expenses. These increases were partially offset by decreases of $67,000 in public company expenses relating to expenses incurred in connection with the shareholders' approval of the 2022 Equity Incentive Plan and $6,000 in miscellaneous charge-offs.

Service contracts expense increased by $89,000, or 32.3%, to $364,000 for the three months ended September 30, 2023 from $275,000 for the three months ended September 30, 2022 due to the increased cost to support the growth of the Company. Directors compensation increased by $61,000, or 39.4%, to $217,000 for the three months ended September 30, 2023 from $155,000 for the three months ended September 30, 2022 due to the amortization of expenses related to the 2022 Equity Incentive Plan awards of restricted stocks and options.

Telephone expense increased by $22,000, or 14.9%, to $167,000 for the three months ended September 30, 2023 from $145,000 for the three months ended September 30, 2022 due to increased usage to service customers. Office supplies and stationery increased by $21,000, or 92.6%, to $44,000 for the three months ended September 30, 2023 from $23,000 for the three months ended September 20, 2022 due to the growth of the Company.

Consultant fees decreased by $60,000, or 24.0%, to $191,000 for the three months ended September 30, 2023 from $251,000 for the three months ended September 30, 2022 due to the retention of consultants to help implement CECL in 2022. Legal fees decreased by $44,000, or 15.6%, to $239,000 for the three months ended September 30, 2023 from $283,00 for the three months ended September 30, 2022 due to a reduction in transactions requiring legal services. Recruiting expense decreased by $21,000, or 92.5%, to $2,000 for the three months ended September 30, 2023 from $23,000 for the three months ended September 30, 2022 due to less reliance on traditional recruiting firms for personnel hirings.

Outside data processing expense increased by $96,000, or 20.3%, to $569,000 for the three months ended September 30, 2023 from $473,000 for the three months ended September 30, 2022 due to an increase in transactions and additional data processing services.

Advertising expense increased by $55,000, or 70.5%, to $133,000 for the three months ended September 30, 2023 from $78,000 for the three months ended September 30, 2022 due mainly to the resumption of advertising to promote interest rates offered on our deposit products.

Occupancy expense increased by $18,000, or 3.0%, to $616,000 for the three months ended September 30, 2023 from $598,000 for the three months ended September 30, 2022 primarily as a result of the increased cost of operating office space.

Real estate owned expense decreased by $188,000, or 94.5%, to $11,000 for the three months ended September 30, 2023 from $199,000 for the three months ended September 30, 2022 due to a write down in 2022 of $189,000 on the fair market value of a foreclosed property because the increase in interest rates caused an increase in the capitalization rate, thereby resulting in a reduction in the calculated fair market value of the property.

Equipment expense decreased by $19,000, or 7.3%, to $240,000 for the three months ended September 30, 2023 from $259,000 for the three months ended September 30, 2022 due to a reduced need to purchase additional equipment.

Income Taxes. We recorded income tax expense of $4.4 million and $2.4 million for the three months ended September 30, 2023 and 2022, respectively. For the three months ended September 30, 2023, we had approximately $187,000 in tax exempt income, compared to approximately $185,000 in tax exempt income for the three months ended September 30, 2022. Our effective income tax rates were 27.3% and 24.2% for the three months ended September 30, 2023 and 2022, respectively.

Results of Operations for the Nine Months Ended September 30, 2023 and 2022

Financial Highlights

Net income for the nine months ended September 30, 2023 was $34.2 million compared to net income of $16.6 million for the nine months ended September 30, 2022. The increase in net income of $17.6 million, or 106.1% for the nine months ended September 30, 2023 compared to the same period in the prior year was due to increases in net interest income and non-interest income, partially offset by increases in provisions for credit losses, non-interest expense, and income tax expense.

Net Interest Income

Net interest income totaled $72.0 million for the nine months ended September 30, 2023 as compared to $42.9 million for the nine months ended September 30, 2022. The increase in net interest income of $29.1 million, or 67.7%, was primarily due to an increase in interest income offset by an increase in interest expense.

The increase in interest income is attributable to increases in the average balances of loans, partially offset by decreases in the average balances of interest-bearing deposits, investment securities, and FHLB stock. The increase in interest income is also attributable to a rising interest rate environment as a result of the Federal Reserve's interest rate increases during 2023.

The increase in market interest rates in 2023 also caused an increase in our interest expense. As a result, the increase in interest expense for the nine months ended September 30, 2023 was due to an increase in the cost of funds on our deposits, partially offset by a decrease in the cost of our borrowed money. The increase in interest expense was also due to an increase in the balances on our certificates of deposits and an increase in the balances of our savings and club deposits, offset by a decrease in the balances on our interest-bearing demand deposits, and a decrease in the balances of our borrowed money.

Total interest and dividend income increased by $47.9 million, or 100.8%, to $95.4 million for the nine months ended September 30, 2023 from $47.5 million for the nine months ended September 30, 2022. The increase in interest and dividend income was due to an increase in the average balance of interest earning assets of $287.9 million, or 24.4%, to $1.5 billion for the nine months ended September 30, 2023 from $1.2 billion for the nine months ended September 30, 2022 and an increase in the yield on interest earning assets by 329 basis points from 5.37% for the nine months ended September 30, 2022 to 8.66% for the nine months ended September 30, 2023.

Interest expense increased by $18.8 million, or 411.8%, to $23.4 million for the nine months ended September 30, 2023 from $4.6 million for the nine months ended September 30, 2022. The increase in interest expense was due to an increase in the cost of interest bearing liabilities by 237 basis points from 0.98% for the nine months ended September 30, 2022 to 3.35% for the nine months ended September 30, 2023, and an increase in average interest bearing liabilities of $307.2 million, or 49.2%, to $931.5 million for the nine months ended September 30, 2023 from $624.3 million for the nine months ended September 30, 2022.

Net interest margin increased by 169 basis points, or 34.8%, during the nine months ended September 30, 2023 to 6.54% compared to 4.85% during the nine months ended September 30, 2022.

Provision for Credit Losses

The Company recorded credit loss expenses totaling $767,000 for the nine months ended September 30, 2023 compared to no credit loss expense for the nine months ended September 30, 2022. The credit loss expense of $767,000 for the nine months ended September 30, 2023 was comprised of credit loss expense for loans of $1.2 million, partially offset by a credit loss expense reduction for off-balance sheet commitments of $395,000 and credit loss expense reduction for held-to-maturity investment securities of $1,000.

We charged-off $286,000 during the nine months ended September 30, 2023 as compared to charge-offs of $23,000 during the nine months ended September 30, 2022. The charge-offs of $286,000 during the nine months ended September 30, 2023 were comprised of a charge-off of $159,000 related to three performing construction loans on the same project whereby we sold the loans to a third-party at a loss of $159,000, as well as charge-offs of $127,000 against various unpaid overdrafts in our demand deposit accounts. The charge-offs of $23,000 during the nine months ended September 30, 2022 were against various unpaid overdrafts in our demand deposit accounts.

We recorded no recoveries from previously charged-off loans during the nine months ended September 30, 2023 compared to recoveries of $242,000 during the nine months ended September 30, 2022, which was comprised of $146,000 from a previously charged-off loan secured by a multi-family property, $53,000 from a previously charged-off loan secured by a non-residential property, and $43,000 regarding a previously charged-off loan secured by a mixed-use property.

Based on a review at September 30, 2023 of the loans that were in the loan portfolio, our off-balance sheet credit exposures, and our HTM investment securities, management believes that the allowances for these three components are maintained at a level that represents our best estimate of inherent losses in the loan portfolio, off-balance sheet credit exposures, and HTM investment securities that were both probable and reasonably estimable.

Management uses available information to establish the appropriate level of the three ACLs. Future additions or reductions to the three ACLs might be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. As a result, our three ACLs might not be sufficient to cover actual credit losses, and future provisions for credit losses could materially adversely affect our operating results. In addition, various regulatory agencies, as an integral part of their examination process, periodically review our three ACLs. Such agencies may require us to recognize adjustments to the three ACLs based on their judgments about information available to them at the time of their examination.

Non-Interest Income

Non-interest income for the nine months ended September 30, 2023 was $2.4 million compared to non-interest income of $904,000 for the nine months ended September 30, 2022. The increase of $1.5 million, or 160.6%, in total non-interest income was primarily due to a decrease of $1.3 million in unrealized loss on equity securities and an increase of $407,000 in BOLI income. These were partially offset by a decrease of $145,000 in other loan fees and service charges, a decrease of $98,000 in gain on sale of fixed assets, and a decrease of $21,000 in investment advisory fees.

The decrease in unrealized loss on equity was due to an unrealized loss of $327,000 on equity securities during the nine months ended September 30, 2023 compared to an unrealized loss of $1.6 million on equity securities during the nine months ended September 30, 2022. The unrealized loss of $327,000 on equity securities during the 2023 period was due to market interest rate volatility as the Federal Reserve continued to increase interest rates, which impacted the value of the equity securities during the nine months ended September 30, 2023.

The increase in BOLI income was primarily due to two death claims totaling $1.8 million on BOLI policies that resulted in additional BOLI income of $404,000 during the nine months ended September 30, 2023. The decrease in other loan fees and service charges was due to a decrease of $207,000 in other loan fees and loan servicing fees and a decrease of $12,000 in deposit account fees, partially offset by an increase of $75,000 in ATM and debit card usage fees.

Non-Interest Expense

Non-interest expense increased by $3.9 million, or 17.8%, to $26.0 million for the nine months ended September 30, 2023 from $22.1 million for the nine months ended September 30, 2022. The increase resulted primarily from increases of $2.7 million in salaries and employee benefits, $844,000 in other operating expense, $250,000 in outside data processing expense, $237,000 in advertising expense, $127,000 in occupancy expense, and $19,000 in equipment expense, partially offset by a decrease of $200,000 in real estate owned expense.

Salaries and employee benefits increased by $2.7 million, or 23.3%, to $14.1 million for the nine months ended September 30, 2023 from $11.4 million for the nine months ended September 30, 2022 primarily due to the hiring of additional personnel to support the growth of the Company, the amortization of expenses related to the 2022 Equity Incentive Plan awards of restricted stocks and options, and a decrease in loan origination expenses related to loan origination fees due to a decrease in loan originations.

Other non-interest expense increased by $844,000, or 13.6%, to $7.1 million for the nine months ended September 30, 2023 from $6.2 million for the nine months ended September 30, 2022 due mainly to increases of $682,000 in miscellaneous other non-interest expense, $236,000 in service contracts expense, $230,000 in directors compensation, $48,000 in telephone expense, $33,000 in office supplies, and $17,000 in insurance expense. These increases were partially offset by decreases of $165,000 in legal fees, $99,000 in consulting fees, $87,000 in audit and accounting fees, $42,000 in expenses related to the hiring of personnel, and $10,000 in directors, officers, and employee expenses.

The increase of $682,000 in miscellaneous other non-interest expense was mainly due to an increase of $543,000 in regulatory insurance premiums and assessments due to an increase in our total assets, an increase of $172,000 in dues and subscriptions, an increase of $25,000 in miscellaneous other non-interest expense, an increase of $12,000 in check and correspondence bank charges, and an increase of $5,000 in postage expense, partially offset by a decrease of $39,000 in public company expense relating to expenses incurred in connection with the shareholders' approval of the 2022 Equity Incentive Plan and a decrease of $36,000 in miscellaneous charge-offs.

Service contracts expense increased by $236,000, or 29.4%, to $1.0 million for the nine months ended September 30, 2023 from $803,000 for the nine months ended September 30, 2022 due to an increase in services provided by third parties in order to support the growth of the Company. Directors compensation increased by $230,000, or 52.8%, to $666,000 for the nine months ended September 30, 2023 from $436,000 for the nine months ended September 30, 2022 due to the amortization of expenses related to the 2022 Equity Incentive Plan awards of restricted stocks and options.

Legal fees decreased by $165,000, or 25.9%, to $474,000 for the nine months ended September 30, 2023 from $640,000 for the nine months ended September 30, 2022 due to a reduction in transactions requiring legal services. Consultant fees decreased by $99,000, or 13.9%, to $611,000 for the nine months ended September 30, 2023 from $710,000 for the nine months ended September 30, 2022 due to the retention of consultants to help implement CECL in 2022. Recruiting expense decreased by $41,000, or 61.1%, to $27,000 for the nine months ended September 30, 2023 from $68,000 for the nine months ended September 30, 2023 due to less reliance on traditional recruiting firms for personnel hirings.

Outside data processing expense increased by $250,000, or 18.0%, to $1.6 million for the nine months ended September 30, 2023 from $1.4 million for the nine months ended September 30, 2022 due to an increase in transactions and additional data processing services.

Advertising expense increased by $237,000, or 129.5%, to $420,000 for the nine months ended September 30, 2023 from $183,000 for the nine months ended September 30, 2022 due mainly to the resumption of advertising and promotional products to promote the interest rates offered on our deposit products.

Occupancy expense increased by $127,000, or 7.2%, to $1.9 million for the nine months ended September 30, 2023 from $1.8 million for the nine months ended September 30, 2022 primarily as a result of the increased cost of operating office space.

Equipment expense increased by $19,000, or 2.3%, to $844,000 for the nine months ended September 30, 2023 from $825,000 for the nine months ended September 30, 2022 due to the purchases of additional equipment to support the Company's expansion.

Real estate owned expense decreased by $200,000, or 79.4%, to $52,000 for the nine months ended September 30, 2023 from $252,000 for the nine months ended September 30, 2022 due to a write down in 2022 of $189,000 on the fair market value of a foreclosed property because the increase in interest rates caused an increase in the capitalization rate thereby resulting in a reduction in the calculated fair market value of the property.

Income Taxes. We recorded income tax expense of $13.4 million and $5.2 million for the nine months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, we had approximately $956,000 and $553,000, respectively, in tax exempt income. The increase in tax exempt income was primarily due to two death claims totaling $1.8 million on BOLI policies that resulted in additional BOLI income of $404,000 during the nine months ended September 30, 2023.

Our effective income tax rates were 28.2% and 23.9% for the nine months ended September 30, 2023 and 2022, respectively.

Average Balances and Yields

The following tables present information regarding average balances of assets and liabilities, the total dollar amounts of interest income and dividends from average interest-earning assets, the total dollar amounts of interest expense on average interest-bearing liabilities, and the resulting annualized average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average daily balances of assets or liabilities, respectively, for the periods presented. Loan fees, including prepayment fees, are included in interest income on loans and are not material. Non-accrual loans are included in the average balances only. In addition, yields are not presented on a tax-equivalent basis. Any adjustments necessary to present yields on a tax-equivalent basis are insignificant.

	Three Months Ended September 30,					
	2023			2022		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Loans receivable	$ 1,446,946	$ 33,757	9.33 %	$ 1,067,835	$ 18,771	7.03 %
Securities	33,754	181	2.14	45,919	183	1.59
Federal Home Loan Bank stock	929	18	7.75	1,238	16	5.17
Other interest-earning assets	88,156	1,181	5.36	73,524	414	2.25
Total interest-earning assets	1,569,785	35,137	8.95	1,188,516	19,384	6.52
Allowance for credit losses	(4,404)			(5,467)		
Non-interest-earning assets	85,133			81,702		
Total assets	$ 1,650,514			$ 1,264,751		
Interest bearing demand	$ 78,768	$ 522	2.65 %	$ 104,669	$ 241	0.92 %
Savings and club accounts	235,613	1,624	2.76	233,447	660	1.13
Certificates of deposit	707,142	7,743	4.38	264,850	885	1.34
Interest-bearing deposits	1,021,523	9,889	3.87	602,966	1,786	1.18
Borrowed money	15,631	119	3.05	21,000	138	2.63
Interest-bearing liabilities	1,037,154	10,008	3.86	623,966	1,924	1.23
Non-interest-bearing demand	322,213			365,025		
Other non-interest-bearing liabilities	16,694			15,557		
Total liabilities	1,376,061			1,004,548		
Equity	274,453			260,203		
Total liabilities and equity	$ 1,650,514			$ 1,264,751		
Net interest income/interest spread						
Net interest margin		$ 25,129	5.09 %		$ 17,460	5.29 %
Net interest-earning assets			6.40 %			5.88 %
Average interest-earning assets to interest-bearing liabilities	$ 532,631			$ 564,550		

	Nine Months Ended September 30,					
	2023			2022		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Loans receivable	$ 1,353,446	$ 91,826	9.05 %	$ 1,018,802	$ 46,244	6.05 %
Securities	39,375	589	1.99	42,080	485	1.54
Federal Home Loan Bank stock	1,002	61	8.12	1,320	49	4.95
Other interest-earning assets	74,308	2,886	5.18	117,983	718	0.81
Total interest-earning assets	1,468,131	95,362	8.66	1,180,185	47,496	5.37
Allowance for credit losses	(4,640)			(5,362)		
Non-interest-earning assets	83,200			78,536		
Total assets	$ 1,546,691			$ 1,253,359		
Interest bearing demand	$ 84,920	$ 1,433	2.25 %	$ 112,332	$ 601	0.71 %
Savings and club accounts	262,977	5,373	2.72	217,291	1,340	0.82
Certificates of deposit	567,378	16,244	3.82	271,985	2,182	1.07
Interest-bearing deposits	915,275	23,050	3.36	601,608	4,123	0.91
Borrowed money	16,216	327	2.69	22,667	445	2.62
Interest-bearing liabilities	931,491	23,377	3.35	624,275	4,568	0.98
Non-interest-bearing demand	329,993			356,846		
Other non-interest-bearing liabilities	16,373			15,422		
Total liabilities	1,277,857			996,543		
Equity	268,834			256,816		
Total liabilities and equity	$ 1,546,691			$ 1,253,359		
Net interest income/interest spread		$ 71,985	5.31 %		$ 42,928	4.39 %
Net interest margin			6.54 %			4.85 %
Net interest-earning assets	$ 536,640			$ 555,910		
Average interest-earning assets to interest-bearing liabilities	157.61 %			189.05 %		

Rate/Volume Analysis

The following tables set forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns.

	Three Months Ended 9/30/2023 Compared to Three Months Ended 9/30/2022		
	Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest income:			
Loans receivable	$ 7,799	$ 7,187	$ 14,986
Securities	(221)	219	(2)
Federal Home Loan Bank stock	(21)	23	2
Other interest-earning assets	97	670	767
Total	$ 7,654	$ 8,099	$ 15,753
Interest expense:			
Interest bearing demand deposit	$ (389)	$ 670	$ 281
Savings accounts	6	958	964
Certificates of deposits	2,902	3,956	6,858
Borrowed money	(120)	101	(19)
Total	2,399	5,685	8,084
Net change in net interest income	$ 5,255	$ 2,414	$ 7,669

	Nine Months Ended 9/30/2023 Compared to Nine Months Ended 9/30/2022		
	Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest income:			
Loans receivable	$ 18,188	$ 27,394	$ 45,582
Securities	(50)	154	104
Federal Home Loan Bank stock	(19)	31	12
Other interest-earning assets	(524)	2,692	2,168
Total	$ 17,595	$ 30,271	$ 47,866
Interest expense:			
Interest bearing demand deposit	$ (267)	$ 1,099	$ 832
Savings accounts	336	3,697	4,033
Certificates of deposits	4,179	9,883	14,062
Borrowed money	(137)	19	(118)
Total	4,111	14,698	18,809
Net change in net interest income	$ 13,484	$ 15,573	$ 29,057

Asset Quality

The following table sets forth information with respect to our non-performing assets at the dates indicated.

	September 30, 2023	December 31, 2022
	(Dollars in thousands)	
Total non-accrual loans	$ 4,381	$ —
Total accruing loans past due 90 days or more	—	—
Total non-performing loans	4,381	—
Real estate owned	1,456	1,456
Total non-performing assets	$ 5,837	$ 1,456
Total non-performing loans to total loans	0.29 %	— %
Total non-performing assets to total assets	0.34 %	0.10 %

Non-performing assets totaled $5.8 million at September 30, 2023 compared to $1.5 million at December 31, 2022. At September 30, 2023, we had two non-performing, non-accrual construction loans totaling $4.4 million secured by the same project located in the Bronx, New York. The other non-performing assets consisted of one foreclosed property at September 30, 2023 and December 31, 2022.

There were no nonaccrual loans at December 31, 2022. During the nine months ended September 30, 2023, we did not collect any interest income from the loans that were in non-accrual status. We did not collect any interest income from loans that were in non-accrual status in 2022.

From time to time, as part of our loss mitigation strategy, we may renegotiate the loan terms based on the economic or legal reasons related to the borrower's financial difficulties. There were no new loan modifications during the nine months ended September 30, 2023 or 2022 or during the year ended December 31, 2022. TDRs may be considered to be non-performing and if so are placed on non-accrual, except for those that have established a sufficient performance history (generally a minimum of six consecutive months of performance) under the terms of the restructured loan.

The two TDRs with an aggregate balance of $855,000 at December 31, 2022 were performing in accordance with their restructured terms (generally at least six consecutive months) and were sold to a third party on January 5, 2023 at a loss of $86,000.

The following table sets forth an analysis of the activity in the allowance for credit losses related to loans for the periods indicated:

	September 30 2023	December 31, 2022
	(Dollars In Thousands)	
Allowance at beginning of period	$ 5,474	$ 5,242
Impact of adopting ASC 326	(1,584)	—
Provision for credit losses	1,163	439
Net Charge-offs:		
Residential real estate loans:		
One- to four-family	—	—
Multifamily	—	—
Mixed-use	—	(103)
Total residential real estate loans	—	(103)
Non-residential real estate loans	—	(53)
Construction loans	159	328
Commercial and industrial loans	—	—
Consumer loans	127	35
Total net charge-offs	286	207
Allowance at end of period	$ 4,767	$ 5,474
Total loans outstanding	$ 1,507,938	$ 1,217,321
Average loans outstanding	1,446,946	1,054,577
Ratio of allowance to non-performing loans	1.09 %	— %
Ratio of allowance to total loans	0.32 %	0.45 %
Ratio of net charge-offs to average loans	0.02 %	0.02 %
Non-performing loans	$ 4,381	$ —

The Company's allowance for credit losses related to loans totaled $4.8 million, or 0.32% of total loans as of September 30, 2023 compared to $5.5 million, or 0.45% of total loans as of December 31, 2022. In addition, the Company's allowance for credit losses related to off-balance sheet commitments totaling $1.2 million and an allowance for credit losses related to held-to-maturity debt securities totaling $131,000 as of September 30, 2023 compared to none at December 31, 2022.

The allowance for credit losses related to loans decreased by $707,000 to $4.8 million at September 30, 2023 from $5.5 million at December 31, 2022. The decrease in the allowances for credit losses was due primarily to the adoption of CECL which reduced the allowance by $1.6 million and charge-offs totaling $286,000 that comprised of a charge-off of $159,000 related to three performing construction loans on the same project whereby we sold the loans to a third-party at a loss of $159,000 and charge-offs of $127,000 against various unpaid overdrafts in our demand deposit accounts, partially offset by provision for credit losses related to loans totaling $1.2 million at September 30, 2023.

The allowance for credit losses related to off-balance sheet commitments of $1.2 million comprised of the adoption of CECL totaling $1.6 million, partially offset by a credit loss expense reduction of $395,000 at September 30, 2023.

The allowance for credit losses related to held-to-maturity of debt securities of $131,000 comprised of the adoption of CECL totaling $132,000 and credit loss expense reduction of $1,000 at September 30, 2023.

Liquidity and Capital Resources

We maintain liquid assets at levels we believe are adequate to meet our liquidity needs. We established a liquidity ratio policy that identify three liquidity ratios consisting of (1) Cash/Deposits & Short Term Borrowings ("Cash Liquidity"), (2) Cash & Investments/Deposits & Short Term Borrowings ("On Balance Sheet Liquidity"), and (3) Cash & Investments & Borrowing Capacity/Deposits & Short Term Borrowings ("On Balance Sheet Liquidity & Borrowing Capacity") to assist in the management of our liquidity. We also establish targets of 2.0% for the Cash

Liquidity ratio, 8.0% for the On Balance Sheet Liquidity ratio, and 20.0% for the On Balance Sheet Liquidity & Borrowing Capacity ratio.

Our Cash Liquidity ratio, On Balance Sheet Liquidity ratio, and On Balance Sheet Liquidity & Borrowing Capacity ratio averaged 7.1%, 10.2%, and 19.4%, respectively, for the nine months ended September 30, 2023 compared to 11.2%, 15.5%, and 19.0%, respectively, for the year ended December 31, 2022. We adjust our liquidity levels to fund deposit outflows, pay real estate taxes on real estate loans, repay our borrowings, and to fund loan commitments. We also adjust liquidity as appropriate to meet asset and liability management objectives.

Our liquidity ratios cannot be calculated using amounts disclosed in our consolidated financial statements, as many of the calculations involve monthly, quarterly or annual averages. To calculate our liquidity ratios, the average liquidity base from the prior month is used as the denominator to calculate a daily liquidity ratio. The liquidity base consists of savings account balances, certificates of deposit balances, checking and money market balances, deposit loans and borrowings. The daily balances of these components are averaged to arrive at the liquidity base for the month, and the daily cash balances in selected general ledger accounts are used to derive our liquidity position. A daily liquidity ratio is calculated using the liquidity for the day divided by the prior month's average liquidity base. At the end of each month, a monthly liquidity position is calculated using the average liquidity position for the month divided by the prior month's average liquidity base. To calculate quarterly and annual liquidity ratios, we take the average liquidity for the three- or twelve-month period, respectively, and average it.

Our primary sources of liquidity are deposits, prepayment of loans and mortgage-backed securities, maturities of investment securities, other short-term investments, earnings, and funds provided from operations. While scheduled principal repayments on loans and mortgage-backed securities are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and rates offered by our competition. We set the interest rates on our deposits to maintain a desired level of total deposits. In addition, we invest excess funds in short-term interest-earning assets, which provide liquidity to meet lending requirements.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Consolidated Statements of Cash Flows included with our Consolidated Financial Statements.

Our primary investing activities are the origination of construction loans, commercial and industrial loans, multifamily loans, and to a lesser extent, mixed-use real estate loans and other loans. For the nine months ended September 30, 2023 and 2022, our loan originations totaled $653.0 million and $499.2 million, respectively. Cash received from the maturities and pay-downs on securities totaled $10.7 million and $1.2 million for the nine months ended September 30, 2023 and 2022, respectively. We purchased securities totaling $70,000 and $10.0 million during the nine months ended September 30, 2023 and September 30, 2022, respectively.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of New York to provide advances. As a member of the Federal Home Loan Bank of New York, we are required to own capital stock in the Federal Home Loan Bank of New York and are authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States), provided certain standards related to credit-worthiness have been met. We had an available borrowing limit of $31.3 million and $31.5 million from the Federal Home Loan Bank of New York as of September 30, 2023 and December 31, 2022, respectively. There were $14.0 million and $21.0 million in Federal Home Loan Bank advances at September 30, 2023 and December 31, 2022, respectively.

The Federal Reserve Bank of New York ("FRBNY") approved on August 30, 2023 the Bank's eligibility to pledge loans under the Borrower-in-Custody program of the FRBNY thereby allowing the Bank to borrow from the Discount Window at the FRBNY. As of September 30, 2023, we had $50.0 million in FRBNY borrowings and an available borrowing limit of $739.4 million.

In addition, we are party to a loan agreement with ACBB under which we can borrow up to $8.0 million in short-term borrowings. There were no outstanding borrowings with ACBB at September 30, 2023 and December 31, 2022.

At September 30, 2023, we had unfunded commitments on construction and multi-family mortgage loans of $464.1 million, outstanding commitments to originate loans of $123.9 million, unfunded commitments under lines of credit of $110.0 million, and unfunded standby letters of credit of $10.3 million. At September 30, 2023, certificates of deposit scheduled to mature in less than one year totaled $588.3 million. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In the event a significant portion of our deposits are not retained by us, we will have to utilize other funding sources, such as various types of sourced deposits, Federal Home Loan Bank advances, or Federal Reserve Bank borrowings, in order to maintain our level of assets. Alternatively, we could reduce our level of liquid assets, such as our cash and cash equivalents. In addition, the cost of such deposits may be significantly higher or lower depending on market interest rates at the time of renewal.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its stockholders and for the repurchase, if any, of its shares of common stock. At September 30, 2023, the Company had liquid assets of $4.5 million and $14.4 million in loan participations originated by the Bank which are held by the Company.

Off-Balance Sheet Arrangements

For the nine months ended September 30, 2023, we did not engage in any off-balance sheet transactions reasonably likely to have a material adverse effect on our financial condition, results of operations or cash-flows.

Impact of Inflation and Changing Prices

The consolidated financial statements and related notes of NorthEast Community Bancorp have been prepared in accordance with GAAP, which generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk is defined as the exposure to current and future earnings and capital that arises from adverse movements in interest rates. Depending on a bank's asset/liability structure, adverse movements in interest rates could be either rising or falling interest rates. For example, a bank with predominantly long-term fixed-rate assets and short-term liabilities could have an adverse earnings exposure to a rising rate environment. Conversely, a short-term or variable-rate asset base funded by longer-term liabilities could be negatively affected by falling rates. This is referred to as re-pricing or maturity mismatch risk.

Interest rate risk also arises from changes in the slope of the yield curve (yield curve risk), from imperfect correlations in the adjustment of rates earned and paid on different instruments with otherwise similar re-pricing characteristics (basis risk), and from interest rate related options embedded in our assets and liabilities (option risk).

Our objective is to manage our interest rate risk by determining whether a given movement in interest rates affects our net interest income and the market value of our portfolio equity in a positive or negative way and to execute strategies to maintain interest rate risk within established limits. The results at September 30, 2023 indicate the level of risk within the parameters of our model. Our management believes that the September 30, 2023 results indicate a profile that reflects interest rate risk exposures in both rising and declining rate environments for both net interest income and economic value.

Model Simulation Analysis. We view interest rate risk from two different perspectives. The traditional accounting perspective, which defines and measures interest rate risk as the change in net interest income and earnings caused by a change in interest rates, provides the best view of short-term interest rate risk exposure. We also view interest rate risk from an economic perspective, which defines and measures interest rate risk as the change in the market value of portfolio equity caused by changes in the values of assets and liabilities, which fluctuate due to changes in interest rates.

The market value of portfolio equity, also referred to as the economic value of equity, is defined as the present value of future cash flows from existing assets, minus the present value of future cash flows from existing liabilities.

These two perspectives give rise to income simulation and economic value simulation, each of which presents a unique picture of our risk of any movement in interest rates. Income simulation identifies the timing and magnitude of changes in income resulting from changes in prevailing interest rates over a short-term time horizon (usually one or two years). Economic value simulation reflects the interest rate sensitivity of assets and liabilities in a more comprehensive fashion, reflecting all future time periods. It can identify the quantity of interest rate risk as a function of the changes in the economic values of assets and liabilities, and the corresponding change in the economic value of equity of NorthEast Community Bank. Both types of simulation assist in identifying, measuring, monitoring and controlling interest rate risk and are employed by management to ensure that variations in interest rate risk exposure will be maintained within policy guidelines.

We produce these simulation reports and discuss them at our Asset and Liability Committee meetings on at least a quarterly basis. The simulation reports compare baseline (no interest rate change) to the results of an interest rate shock, to illustrate the specific impact of the interest rate scenario tested on income and equity. The model, which incorporates asset and liability rate information, simulates the effect of various interest rate movements on income and equity value. The reports identify and measure our interest rate risk exposure present in our current asset/liability structure. Management considers both a static (current position) and dynamic (forecast changes in volume) analysis as well as non-parallel and gradual changes in interest rates and the yield curve in assessing interest rate exposures.

If the results produce quantifiable interest rate risk exposure beyond our limits, then the testing will have served as a monitoring mechanism to allow us to initiate asset/liability strategies designed to reduce and therefore mitigate interest rate risk. The table below sets forth an approximation of our interest rate risk exposure. The simulation uses projected repricing of assets and liabilities at September 30, 2023. The income simulation analysis presented represents a one-year impact of the interest scenario assuming a static balance sheet. Various assumptions are made regarding the prepayment speed and optionality of loans, investment securities and deposits, which are based on analysis and market information. The assumptions regarding optionality, such as prepayments of loans and the effective lives and repricing of non-maturity deposit products, are documented periodically through evaluation of current market conditions and historical correlations to our specific asset and liability products under varying interest rate scenarios.

Because the prospective effects of hypothetical interest rate changes are based on a number of assumptions, these computations should not be relied upon as indicative of actual results. While we believe such assumptions to be reasonable, assumed prepayment rates may not approximate actual future prepayment activity on mortgage-backed securities or agency issued collateralized obligations (secured by one- to four-family loans and multifamily loans). Further, the computation does not reflect any actions that management may undertake in response to changes in interest rates and assumes a constant asset base. Management periodically reviews the rate assumptions based on existing and projected economic conditions and consults with industry experts to validate our model and simulation results.

The table below sets forth, as of September 30, 2023, NorthEast Community Bank's net portfolio value, the estimated changes in our net portfolio value and net interest income that would result from the designated instantaneous parallel changes in market interest rates.

	Twelve Month Net Interest Income	Net Portfolio Value	
Change in Interest Rates (Basis Points)	**Percent of Change**	**Estimated NPV**	**Percent of Change**
+200	14.72 %	$ 307,428	3.80 %
+100	7.40	302,827	2.25
0	—	296,164	—
-100	(8.81)	286,634	(3.22)
-200	(17.86)%	274,942	(7.17)%

As of September 30, 2023, based on the scenarios above, net interest income would increase by approximately 7.40% to 14.72%, over a one-year time horizon in a rising interest rate environment. One-year net interest income would decrease by approximately 8.81% to 17.86% in a declining interest rate environment over the same period.

Economic value at risk would be positively impacted by a rise in interest rates and negatively impacted by a decline in interest rates. We have established an interest rate floor of zero percent for measuring interest rate risk. The difference between the two results reflects the relatively long terms of a portion of our assets which is captured by the economic value at risk but has less impact on the one year net interest income sensitivity.

Overall, our September 30, 2023 results indicate that we are adequately positioned with an acceptable net interest income and economic value at risk and that all interest rate risk results continue to be within our policy guidelines.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure (1) that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms; and (2) that they are alerted in a timely manner about material information relating to the Company required to be filed in its periodic Securities and Exchange Commission filings.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various legal actions and claims arising in the normal course of business. In the opinion of management, these legal actions and claims are not expected to have a material adverse impact on the Company's financial condition.

Item 1A. Risk Factors

For information regarding the Company's risk factors, refer to " *Item 1A: Risk* Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 30, 2023 and "*Part II, Item 1A: Risk* Factors" in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed with the Securities and Exchange Commission on May 23, 2023. As of September 30, 2023, the risk factors of the Company have not changed materially from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 30, 2023, the Company announced that its Board of Directors had authorized a stock repurchase program to acquire up to 1,509,218 shares, or 10%, of the Company's currently issued and outstanding common stock commencing on May 30, 2023. The stock repurchase program is the Company’s second repurchase program since completing its second-step conversion and related stock offering in July 2021.

The following table provides information on repurchases by the Company of its common stock under the Company’s stock repurchase program during the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2023	-	$ -	-	1,453,977
August 1 - 31, 2023	331,064	16.23	331,064	1,122,913
September 1 - 30, 2023	224,260	15.47	224,260	898,653
Total	555,324		555,324	

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Description
31.1†	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of NorthEast Community Bancorp, Inc.
31.2†	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of NorthEast Community Bancorp, Inc.
32.0†	Certification of Chief Executive Officer and Chief Financial Officer of NorthEast Community Bancorp, Inc. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.0†	The following materials from the Company’s Quarterly Report to Stockholders on Form 10-Q for the quarter ended September 30, 2023, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholder’s Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.
101.INS†	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

† Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, duly authorized.

Date: November 13, 2023

NORTHEAST COMMUNITY BANCORP, INC.

By:	/s/ Kenneth A. Martinek
Name:	Kenneth A. Martinek
Title:	Chairman and Chief Executive Officer (Principal Executive Officer)
By:	/s/ Donald S. Hom
Name:	Donald S. Hom
Title:	Executive Vice President and Chief Financial Officer (Principal Financial and Chief Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Kenneth A. Martinek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NorthEast Community Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

/s/ Kenneth A. Martinek
Kenneth A. Martinek
Chairman and Chief Executive Officer
(Principal executive officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Donald S. Hom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NorthEast Community Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

/s/ Donald S. Hom
Donald S. Hom
Executive Vice President and Chief Financial Officer
(Principal financial and chief accounting officer)

Exhibit 32.0

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADDED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NorthEast Community Bancorp, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. §1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Kenneth A. Martinek
Kenneth A. Martinek
Chairman and Chief Executive Officer

/s/ Donald S. Hom
Donald S. Hom
Executive Vice President and
Chief Financial Officer

Date: November 13, 2023