REFINITIV

DELTA REPORT

10-Q

ECBE - ECB BANCORP, INC. /MD/

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1593
CHANGES	626
DELETIONS	455
ADDITIONS	512

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 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: 001-41456

ECB Bancorp, Inc.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**88-1502079**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
419 Broadway Everett, Massachusetts	**02149**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 387-1110

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

Title of each class	Ticker Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	ECBK	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 requirements for the past 90 days.
YES [X] 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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).
YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 [X]	Smaller reporting company [X]
	Emerging growth company [X]

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 Act). YES [ ] NO [X]

As of August 11, 2023 November 8th, 2023, 9,175,247 9,388,678 shares of the Registrant's common stock, par value $0.01 per share, were issued and outstanding.

ECB Bancorp, Inc.
Form 10-Q

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Part II. Other Information

EXPLANATORY NOTE

ECB Bancorp, Inc., a Maryland corporation (the "Company" or the "Registrant"), was formed on March 7, 2022 to serve as the bank holding company for Everett Co-operative Bank (the "Bank") as part of the Bank's mutual-to-stock conversion, which was consummated on July 27, 2022. Financial and other information prior to and including July 27, 2022 included in this Quarterly Report is for the Bank.

Part I. – Financial Information

Item 1. Financial Statements

ECB Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
June September 30, 2023 (unaudited) and December 31, 2022
(in thousands except share data)

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
ASSETS				
Cash and due from banks	$ 3,148	$ 3,123	$ 3,430	$ 3,123
Short-term investments	76,718	58,927	93,957	58,927
Total cash and cash equivalents	79,866	62,050	97,387	62,050
Interest-bearing time deposits	—	300	—	300
Investments in available-for-sale securities (at fair value)	5,007	5,001	5,006	5,001
Investments in held-to-maturity securities, at cost (fair values of $69,663 at June 30, 2023 and $69,707 at December 31, 2022)	77,255	77,591		
Loans, net of allowance for credit losses of $8,470 as of June 30, 2023 (unaudited) and $7,200 as of December 31, 2022	996,699	885,674		

Investments in held-to-maturity securities, at cost (fair values of $65,844 at September 30, 2023 (unaudited) and $69,707 at December 31, 2022)			74,869	77,591
Loans, net of allowance for credit losses of $8,292 as of September 30, 2023 (unaudited) and $7,200 as of December 31, 2022			997,359	885,674
Federal Home Loan Bank stock, at cost	9,892	7,293	9,571	7,293
Premises and equipment, net	3,657	3,698	3,729	3,698
Accrued interest receivable	3,038	2,632	3,390	2,632
Deferred tax asset, net	4,659	4,344	4,687	4,344
Bank-owned life insurance	14,264	14,067	14,367	14,067
Other assets	3,133	1,812	3,397	1,812
Total assets	$ 1,197,470	$ 1,064,462	$ 1,213,762	$ 1,064,462
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits:				
Noninterest-bearing	$ 87,030	$ 84,903	$ 84,785	$ 84,903
Interest-bearing	699,937	633,246	727,746	633,246
Total deposits	786,967	718,149	812,531	718,149
Federal Home Loan Bank advances	234,000	174,000	224,000	174,000
Other liabilities	11,874	9,583	11,719	9,583
Total liabilities	1,032,841	901,732	1,048,250	901,732
Shareholders' Equity:				
Preferred Stock, par value $0.01; Authorized: 1,000,000 shares; Issued and outstanding: 0 shares; and 0 shares, respectively	—	—		
Common Stock, par value $0.01; Authorized: 30,000,000 shares; Issued and outstanding: 9,175,247 shares and 9,175,247 shares, respectively	92	92		
Preferred Stock, par value $0.01; Authorized: 1,000,000 shares; Issued and outstanding: 0 shares and 0 shares, respectively			—	—

Common Stock, par value $0.01; Authorized: 30,000,000 shares; Issued and outstanding: 9,195,989 shares and 9,175,247 shares, respectively			92	92
Additional paid-in capital	89,355	89,286	88,807	89,286
Retained earnings	81,725	80,076	83,066	80,076
Accumulated other comprehensive income	248	249	246	249
Unallocated common shares held by the Employee Stock Ownership Plan	(6,791)	(6,973)	(6,699)	(6,973)
Total shareholders' equity	164,629	162,730	165,512	162,730
Total liabilities and shareholders' equity	$ 1,197,470	$ 1,064,462	$ 1,213,762	$ 1,064,462

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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ECB Bancorp, Inc. and Subsidiary

Consolidated Statements of Income (Loss)

(unaudited)

(in thousands except share data)

	Three months ended June 30,		**Six months ended June 30,**		**Three months ended September 30,**		**Nine months ended September 30,**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Interest and dividend income:								
Interest and fees on loans	$ 12,122	$ 5,678	$ 23,049	$ 10,941	$ 12,313	$ 7,150	$ 35,362	$ 18,095
Interest and dividends on securities	667	330	1,227	662	723	360	1,950	1,022
Other interest income	862	88	1,437	104	1,130	251	2,567	355

Total interest and dividend income	13,651	6,096	25,713	11,707	14,166	7,761	39,879	19,472
Interest expense:								
Interest on deposits	5,055	647	8,973	1,307	5,843	1,025	14,815	2,332
Interest on Federal Home Loan Bank advances	2,197	83	3,975	113	2,237	197	6,213	310
Total interest expense	7,252	730	12,948	1,420	8,080	1,222	21,028	2,642
Net interest and dividend income	6,399	5,366	12,765	10,287	6,086	6,539	18,851	16,830
Provision for credit losses	-	754	879	875				
Net interest and dividend income after provision for credit losses	6,399	4,612	11,886	9,412				
(Benefit) provision for credit losses					(184)	925	696	1,800
Net interest and dividend income after (benefit) provision for credit losses					6,270	5,614	18,155	15,030
Noninterest income:								
Customer service fees	128	212	248	212	123	114	371	326
Income from bank-owned life insurance	99	539	197	640	175	90	372	731
Net gain on sales of loans	5	23	5	68	9	16	13	84
Other income	8	16	20	21	15	8	35	28
Total noninterest income	240	690	470	941	322	228	791	1,169
Noninterest expense:								
Salaries and employee benefits	2,823	2,293	5,709	4,280	2,914	2,679	8,623	6,960
Director compensation	119	109	240	217	139	108	379	325

Occupancy and equipment expense	265	198	484	378	243	190	695	561
Data processing	256	166	459	331	275	222	810	624
Computer software and licensing					88	78	216	180
Advertising and promotions	208	138	376	275	201	236	576	511
Professional fees	295	213	658	384	304	176	962	560
Federal Deposit Insurance Corporation deposit insurance	282	64	407	109	206	54	613	163
Charitable contributions					7	3,214	17	3,249
Other expense	463	400	874	780	434	346	1,125	928
Total noninterest expense	4,711	3,581	9,207	6,754	4,811	7,303	14,016	14,061
Income before income tax expense	1,928	1,721	3,149	3,599				
Income tax expense	503	325	823	820				
Net income	$ 1,425	$ 1,396	$ 2,326	$ 2,779				
Income (loss) before income tax expense					1,781	(1,461)	4,930	2,138
Income tax expense (benefit)					440	(426)	1,263	394
Net income (loss)					$ 1,341	$ (1,035)	$ 3,667	$ 1,744
Share data:								
Weighted average shares outstanding, basic	8,490,128	N/A	8,485,610	N/A	8,486,577	8,445,615	8,485,936	8,445,615
Weighted average shares outstanding, diluted	8,490,128	N/A	8,485,610	N/A	8,486,577	8,445,615	8,485,936	8,445,615
Basic earnings per share	$ 0.17	N/A	$ 0.27	N/A				

Diluted earnings per share	$ 0.17	N/A	$ 0.27	N/A
Basic earnings (loss) per share	$ 0.16	$ (0.12)	$ 0.43	$ 0.21
Diluted earnings (loss) per share	$ 0.16	$ (0.12)	$ 0.43	$ 0.21

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ECB Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income	$ 1,425	$ 1,396	$ 2,326	$ 2,779
Other comprehensive income (loss), net of tax:				
Net unrealized holding gain (loss) on securities available-for-sale	11	(34)	(1)	(19)
Other comprehensive income (loss), net of tax	11	(34)	(1)	(19)
Comprehensive income	$ 1,436	$ 1,362	$ 2,325	$ 2,760

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	$ 1,341	$ (1,035)	$ 3,667	$ 1,744
Other comprehensive (loss) income, net of tax:				
Net unrealized holding (loss) gain on securities available-for-sale	(2)	2	(3)	(17)
Other comprehensive (loss) income, net of tax	(2)	2	(3)	(17)

Comprehensive income (loss)	$ 1,339	$ (1,033)	$ 3,664	$ 1,727

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ECB Bancorp, Inc. and Subsidiary

Statements of Changes in Shareholders' Equity

(unaudited)

(in thousands except share data)

	Three months ended							Three months ended						
	Shares of Common Stock Outstanding	**Common Stock**	**Additional Paid in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss)/Income**	**Unallocated Common Stock Held by ESOP**	**Total**	**Shares of Common Stock Outstanding**	**Common Stock**	**Additional Paid in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss)/Income**	**Unallocated Common Stock Held by ESOP**	**Total**
Balance at March 31, 2022	-	$ -	$ -	$ 78,739	$ (68)	$ -	$ 78,671							
Net Income	-	-	-	1,396	-	-	1,396							

Balance at June 30, 2022	-	$ -	$ -	$ 80,135	$ (102)	$ -	$ 80,033
Net loss	-	-	-	(1,035)		-	(1,035)
Other comprehensive income, net of tax	-	-	-	-	2	-	2
Proceeds of stock offering and issuance of common shares (net of costs of $2.6 million)	8,181,227	82	79,165	-	-	-	79,247

Issuance of common shares donated to the Everett Co-operative Bank Charitable Foundation	260,000	3	2,597	-	-	-	2,600
Purchase of common shares by the ESOP (734,020 shares)	734,020	7	7,333	-	-	(7,340)	-
ESOP shares committed to be released (15,195 shares)	-	-	63	-	-	152	215
Balance at September 30, 2022	9,175,247	$ 92	$ 89,158	$ 79,100	$ (100)	$ (7,188)	$ 161,062

Balance at June 30, 2023								9,175,247	$ 92	$ 89,355	$ 81,725	$ 248	$ (6,791)	$ 164,629
Net income								-	-	-	1,341	-	-	1,341
Other comprehensive loss, net of tax	-	-	-	-	(34)	-	(34)	-	-	-	-	(2)	-	(2)
Balance at June 30, 2022	-	$ -	$ -	$ 80,135	$ (102)	$ -	$ 80,033							
Balance at March 31, 2023	9,175,247	$ 92	$ 89,335	$ 80,300	$ 237	$ (6,883)	$ 163,081							
Net income	-	-	-	1,425	-	-	1,425							

Other comprehensive income, net of tax	-	-	-	-	11	-	11
ESOP shares committed to be released (9,150 shares)	-	-	20	-	-	92	112
Balance at June 30, 2023	9,175,247	$ 92	$ 89,355	$ 81,725	$ 248	$ (6,791)	$ 164,629
ESOP shares committed to be released (9,251 shares)	-	-	22	-	-	92	114
Repurchase of common stock	(49,242)	(1)	(589)	-	-	-	(590)
Restricted stock awards issued	69,984	1	(1)	-	-	-	-

	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Unallocated Common Stock Held by ESOP	Total
Stock-based compensation	-	-	20	-	-	-	20
Balance at September 30, 2023	9,195,989	$ 92	$ 88,807	$ 83,066	$ 246	$ (6,699)	$ 165,512

	Six months ended						
	Shares of Common Stock Outstanding	**Common Stock**	**Additional Paid in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss)/Income**	**Unallocated Common Stock Held by ESOP**	**Total**
Balance at December 31, 2021	-	$ -	$ -	$ 77,356	$ (83)	$ -	$ 77,273
Net income	-	-	-	2,779	-	-	2,779
Other comprehensive loss, net of tax	-	-	-	-	(19)	-	(19)
Balance at June 30, 2022	-	$ -	$ -	$ 80,135	$ (102)	$ -	$ 80,033
Balance at December 31, 2022	9,175,247	$ 92	$ 89,286	$ 80,076	$ 249	$ (6,973)	$ 162,730
Cumulative Effect Accounting Adjustment for ASU 2016-13 Adoption	-	-	-	(677)	-	-	(677)
Net income	-	-	-	2,326	-	-	2,326
Other comprehensive loss, net of tax	-	-	-	-	(1)	-	(1)
ESOP shares committed to be released (18,200 shares)	-	-	69	-	-	182	251
Balance at June 30, 2023	9,175,247	$ 92	$ 89,355	$ 81,725	$ 248	$ (6,791)	$ 164,629

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Nine months ended

	Shares of Common Stock Outstanding	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Unallocated Common Stock Held by ESOP	Total
Balance at December 31, 2021	-	$ -	$ -	$ 77,356	$ (83)	$ -	$ 77,273
Net income	-	-	-	1,744	-	-	1,744
Other comprehensive loss, net of tax	-	-	-	-	(17)	-	(17)
Proceeds of stock offering and issuance of common shares (net of costs of $2.6 million)	8,181,227	82	79,165	-	-	-	79,247
Issuance of common shares donated to the Everett Co-operative Bank Charitable Foundation	260,000	3	2,597	-	-	-	2,600
Purchase of common shares by the ESOP (734,020 shares)	734,020	7	7,333	-	-	(7,340)	-
ESOP shares committed to be released (15,195 shares)	-	-	63	-	-	152	215
Balance at September 30, 2022	9,175,247	$ 92	$ 89,158	$ 79,100	$ (100)	$ (7,188)	$ 161,062
Balance at December 31, 2022	9,175,247	$ 92	$ 89,286	$ 80,076	$ 249	$ (6,973)	$ 162,730
Cumulative Effect Accounting Adjustment for ASU 2016-13 Adoption	-	-	-	(677)	-	-	(677)
Net income	-	-	-	3,667	-	-	3,667
Other comprehensive loss, net of tax	-	-	-	-	(3)	-	(3)
ESOP shares committed to be released (27,451 shares)	-	-	91	-	-	274	365
Repurchase of common stock	(49,242)	(1)	(589)	-	-	-	(590)
Restricted stock awards issued	69,984	1	(1)	-	-	-	-
Stock-based compensation	-	-	20	-	-	-	20
Balance at September 30, 2023	9,195,989	$ 92	$ 88,807	$ 83,066	$ 246	$ (6,699)	$ 165,512

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ECB Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows

(unaudited)

(in thousands)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:				
Net income	$ 2,326	$ 2,779	$ 3,667	$ 1,744
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of securities, net	24	109	9	153
Provision for loan losses	1,088	875		
Provision for credit losses			696	1,800
Change in deferred loan costs/fees	2	(86)	(29)	(169)
Gain on sales of loans, net	(5)	(68)	(13)	(84)
Proceeds from sales of loans	351	3,643	359	5,824
Loans originated for sale, net	(346)	(2,274)	(346)	(4,439)
Depreciation and amortization expense	140	145	205	223
Increase in accrued interest receivable	(406)	(244)	(758)	(556)
Increase in accrued interest payable	1,146	24	548	247
Increase in bank-owned life insurance	(197)	(200)	(300)	(301)
Gain from life insurance policy death benefit	—	(440)	(72)	(430)
Deferred income tax (benefit) expense	(49)	120		
Deferred income tax benefit			(76)	(1,045)
Issuance of common shares donated to the Everett Co-operative Bank Charitable Foundation			—	2,600
ESOP expense	251	—	365	215
Stock-based compensation expense			20	—
Increase in other assets	(1,321)	(1,323)	(1,513)	(1,624)
Increase (decrease) in other liabilities	384	(1,430)		
Increase in other liabilities			1,041	582
Net cash provided by operating activities	3,388	1,630	3,803	4,740

Cash flows from investing activities:				
Purchases of held-to-maturity securities	(2,437)	(9,804)	(2,437)	(11,704)
Proceeds from paydowns and maturities of held-to-maturity securities	2,742	5,590	5,141	7,150
Purchase of interest-bearing time deposits	—	(300)	—	(300)
Proceeds from maturities of interest bearing time deposits	300	—	300	—
Purchase of Federal Home Loan Bank Stock	(3,204)	(1,577)	(3,204)	(3,084)
Redemption of Federal Home Loan Bank Stock	605	1,065	926	1,819
Loan originations and principal collections, net	(105,080)	(107,629)	(103,487)	(212,760)
Purchase of loans	(7,217)	—	(9,262)	(7,059)
Recoveries of loans previously charged off			1	1
Capital expenditures	(99)	(119)	(236)	(177)
Proceeds from life insurance policy death benefit			—	896
Net cash used in investing activities	(114,390)	(112,774)	(112,258)	(225,218)
Cash flows from financing activities:				
Net (decrease) increase in demand deposits, NOW and savings accounts	(20,160)	93,517	(27,794)	13,468
Net increase (decrease) in time deposits	88,978	(1,824)		
Net increase in time deposits			122,176	67,527
Proceeds from long-term Federal Home Loan Bank advances	135,000	—	185,000	20,000
Repayments of long-term Federal Home Loan Bank advances	(20,000)	—	(80,000)	—
Net change in short-term Federal Home Loan Bank advances	(55,000)	21,475	(55,000)	21,475
Net proceeds from issuance of common stock			—	79,247
Common stock repurchased			(590)	—
Net cash provided by financing activities	128,818	113,168	143,792	201,717
Net increase in cash and cash equivalents	17,816	2,024		
Net increase (decrease) in cash and cash equivalents			35,337	(18,761)
Cash and cash equivalents at beginning of year	62,050	52,975	62,050	52,975
Cash and cash equivalents at end of period	$ 79,866	$ 54,999	$ 97,387	$ 34,214
Supplemental disclosures:				
Interest paid	$ 11,802	$ 1,396	$ 20,480	$ 2,395
Income taxes paid	1,524	1,003	1,931	1,595
Noncash activities:				
Transfer of bank-owned life insurance to other assets	—	905	72	—

Accrued deferred offering costs	—	940		
Effect of the adoption of ASU 2016-13				
Allowance for credit losses	182	—	182	—
Deferred income taxes	266	—	266	—
Other liabilities	761	—	761	—

The accompanying notes are an integral part of these unaudited consolidated financial statements.

ECB Bancorp, Inc. and Subsidiary

Form 10-Q

Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE 1 - CONVERSION

On March 9, 2022, the Board of Directors of Everett Co-operative Bank ("the Bank" (the "Bank") adopted a Plan of Conversion under which the Bank would convert from a Massachusetts mutual co-operative bank into a Massachusetts stock co-operative bank and become the wholly owned subsidiary of a newly chartered stock holding company, ECB Bancorp, Inc. (the “Holding Company”). The Plan of Conversion received all of the approvals of various regulatory agencies and the Plan of Conversion was approved by the required vote of more than two-thirds of the Bank’s depositors present and voting at a special meeting of depositors held on May 5, 2022. The Bank’s mutual to stock conversion and the Company’s stock offering were consummated on July 27, 2022. In the offering, the Company sold 8,915,247 shares of common stock at a per share price of $10.00 for gross offering proceeds of $89.2 million. Additionally, the Company contributed 260,000 shares and $600,000 in cash to the Everett Co-operative Bank Charitable Foundation (the “Foundation”).

The Bank has established a Liquidation Account in an amount equal to the net worth of the Bank as of the date of the latest consolidated statement of financial condition contained in the final prospectus distributed in connection with the conversion. Company's stock offering. The function of the Liquidation Account is to establish a priority on liquidation of the Bank. The Liquidation Account will be maintained by the Bank for the benefit of the eligible account holders who continue to maintain deposit accounts with the Bank following the conversion. Each eligible account holder shall, with respect to each deposit account, hold a related inchoate interest in a portion of the Liquidation Account balance, in relation to each deposit account balance at the eligibility record date, or to such balance as it may be subsequently reduced, as hereinafter provided. The initial Liquidation Account balance shall not be increased, and shall be subject to downward adjustment to the extent of any downward adjustment of any subaccount balance of any eligible account holder in accordance with the regulations of the Division of Banks of the Commonwealth of Massachusetts.

In the unlikely event of a complete liquidation of the Bank (and only in such event), following all liquidation payments to creditors (including those to depositors to the extent of their deposit accounts) each eligible account holder shall be entitled to receive a liquidating distribution from the Liquidation Account, in the amount of the then-adjusted subaccount balances for his or her deposit accounts then held, before any liquidating distribution may be made to any holder of the Bank's capital stock.

The Bank may not declare or pay a cash dividend on its outstanding capital stock if the effect thereof would cause its regulatory capital to be reduced below the amount required to maintain the Liquidation Account and under FDIC rules and regulations.

NOTE 2 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of ECB Bancorp, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The consolidated financial statements of ECB Bancorp, Inc. (referred to herein as "the Company," "we," "us," or "our") include the balances and results of operations of ECB Bancorp, Inc. the Company and Everett Co-operative the Bank, ("the Bank") its wholly-owned subsidiary, as well as First Everett Securities Corporation, a wholly-owned subsidiary of the Bank. Intercompany transactions and balances are eliminated in consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position as of June 30, 2023 September 30, 2023 and the results of operations and cash flows for the interim periods ended June 30, 2023 September 30, 2023 and 2022. All interim amounts have not been audited, and the results of operations for the interim periods herein are not necessarily indicative of the results of operations to be expected for the fiscal year. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 and accompanying notes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The Company qualifies as an emerging growth company ("EGC") under the Jumpstart Our Business Startups Act of 2012 and has elected to defer the adoption of new or revised accounting standards until the nonpublic company effective dates. As such, the Company will adopt standards on the nonpublic company effective dates until such time that we no longer qualify as an EGC.

Certain previously reported amounts have been reclassified to conform to the current period's presentation.

RECENT ACCOUNTING STANDARDS

ASU 2016-13 Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments

Effective January 1, 2023, the Company adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures such as loan commitments, standby letters of credit, financial guarantees, and other similar instruments. In addition, this update makes changes to the accounting for credit-related impairment of available for sale debt securities by eliminating other-than-temporary impairment charges. Following the expected loss model, credit-related losses on available for sale debt securities will be reflected as a valuation allowance for credit losses on those securities. The Company adopted Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Accordingly, a cumulative effect transition adjustment amounting to $677,000 decreased the opening balance of retained earnings, effective January 1, 2023. Prior periods have not been restated and continue to be presented under the incurred loss model. A summary of the financial statement impact upon adoption of Topic 326 is as follows:

	Financial Statement Impact of Adoption		
	Balance 12/31/2022	Transition Adjustment	Balance 1/1/2023
		(In Thousands)	
Assets:			
Allowance for credit losses on loans	$ 7,200	$ 182	$ 7,382
Deferred tax asset, net	4,344	266	4,610
Liabilities			
Allowance for credit losses on off balance sheet credit exposures	$ 402	$ 761	$ 1,163

Effective January 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*. Update No. 2022-02 applies to public entities that have adopted ASC Topic 326. The amendments in this update eliminate the existing accounting guidance for troubled debt restructures ("TDRs") by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors and instead requires that an entity evaluate whether a modification represents a new loan or a continuation of an existing loan. The amendments also enhance disclosure requirements for certain loans refinancing and restructuring by creditors when a borrower is experiencing financial difficulty. ASU 2022-02 also requires additional disclosure of current period gross write-offs by year of origination for financing receivables to be included in the entity's vintage disclosure, as currently required under Topic 326.

NOTE 3 – INVESTMENTS IN SECURITIES

Allowance for Credit Losses - Available for Sale Securities

The Company's available for sale securities are carried at fair value. For available for sale securities in an unrealized loss position, management will first evaluate whether there is intent to sell, or if it is more likely than not that the Company will be required to sell a security prior to anticipated recovery of its amortized cost basis. If either of these criteria are met, the Company will record a write-down of the security's amortized cost basis to fair value through income. For those available for sale securities which do not meet the intent or requirement to sell criteria, management will evaluate whether the decline in fair value is a result of credit related matters or other factors. In performing this assessment, Management considers the creditworthiness of the issuer including whether the security is guaranteed by the U.S. Federal Government or other government agency, the extent to which fair value is less than amortized cost, and changes in credit rating during the period, among other factors. If this assessment indicates the existence of credit losses, the security will be written down to fair value, as determined by a discounted cash flow analysis. To the extent the estimated cash flows do not support the amortized cost, the deficiency is considered to be due to credit loss and is recognized in earnings. Changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when the uncollectibility of a security is confirmed, or when either of the aforementioned criteria surrounding intent or requirement to sell have been met.

Allowance for Credit Losses - Held to Maturity Securities

The Company measures expected credit losses on held to maturity securities on a collective basis by major security type. Management classifies the held-to maturity portfolio into the following major security types: U.S. Government Sponsored Enterprises, U.S. Treasury, Agency Mortgage-Backed Securities, and Corporate Bonds.

Investments in securities have been classified in the consolidated balance sheets according to management’s intent. The following table summarizes tables summarize the amortized cost, allowance for credit losses, and fair value of securities and their corresponding amounts of unrealized gains and losses at the dates indicated:

Held-to-maturity:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Allowance for Credit Losses**	**Fair Value**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Allowance for Credit Losses**	**Fair Value**
	(In Thousands)					**(in thousands)**				
June 30, 2023										
September 30, 2023										
Debt securities issued by U.S. government-sponsored enterprises	$ 11,217	$ —	$ (560)	$ —	$ 10,657	$ 10,220	$ —	$ (523)	$ —	$ 9,697

Mortgage-backed securities	49,099	2	(5,932)	—	43,169	47,687	1	(7,368)	—	40,320
Corporate bonds	11,594	—	(1,025)	—	10,569	11,585	—	(1,080)	—	10,505
U.S. Treasury securities	5,345	—	(77)	—	5,268	5,377	—	(55)	—	5,322
Total held-to-maturity securities	$ 77,255	$ 2	$ (7,594)	$ —	$ 69,663	$ 74,869	$ 1	$ (9,026)	$ —	$ 65,844
December 31, 2022										
Debt securities issued by U.S. government-sponsored enterprises	$ 11,213	$ 6	$ (578)	$ —	$ 10,641	$ 11,213	$ 6	$ (578)	$ —	$ 10,641
Mortgage-backed securities	51,864	3	(6,181)	—	45,686	51,864	3	(6,181)	—	45,686
Corporate bonds	11,612	—	(1,041)	—	10,571	11,612	—	(1,041)	—	10,571
U.S. Treasury securities	2,902	—	(93)	—	2,809	2,902	—	(93)	—	2,809
Total held-to-maturity securities	$ 77,591	$ 9	$ (7,893)	$ —	$ 69,707	$ 77,591	$ 9	$ (7,893)	$ —	$ 69,707

Substantially all held to maturity securities held by the Company are guaranteed by the U.S. federal government or other government sponsored agencies and have a long history of no credit losses. As a result, management has determined these securities to have a zero loss expectation and therefore the Company did not record a provision for estimated credit losses on any held to maturity securities during the three and six nine months ended June 30, 2023 September 30, 2023. The Company's investments in corporate bonds are deemed “investment grade” and (a) the Company does not intend to sell these securities before recovery and (b) it is more likely than not that the Company will not be required to sell these securities before recovery. The Company does not expect to suffer a credit loss as of June 30, 2023 September 30, 2023. Excluded from the table above is accrued interest on held to maturity securities of $261,000 265,000 and $267,000 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively, which is included within accrued interest receivable in the Consolidated Balance Sheets. Additionally, the Company did not record any write-offs of accrued interest income on held to maturity securities for the three and six nine months ended June 30, 2023 September 30, 2023. No securities held by the Company were delinquent on contractual payments at June 30, 2023 September 30, 2023, nor were any securities placed on non-accrual status for the three and six nine months then ended.

Available-for-sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
		(In Thousands)					(in thousands)			
June 30, 2023										
September 30, 2023										
Debt securities										
Corporate bonds	$ 4,999	$ 8	$ —	$ —	$ 5,007	$ 5,000	$ 6	$ —	$ —	$ 5,006
Total available-for-sale securities	$ 4,999	$ 8	$ —	$ —	$ 5,007	$ 5,000	$ 6	$ —	$ —	$ 5,006
December 31, 2022										
Debt securities										
Corporate bonds	$ 4,991	$ 10	$ —	$ —	$ 5,001	$ 4,991	$ 10	$ —	$ —	$ 5,001
Total available-for-sale securities	$ 4,991	$ 10	$ —	$ —	$ 5,001	$ 4,991	$ 10	$ —	$ —	$ 5,001

The Company did not record a provision for estimated credit losses on any available for sale securities for the three and six nine months ended June 30, 2023 September 30, 2023. Excluded from the table above is accrued interest on available for sale securities of $54,000 57,000 and $49,000 at June 30, 2023 September 30, 2023 and December 21, 2022 December 31, 2022, respectively, which is included within accrued interest receivable in the Consolidated Balance Sheets. Additionally, the Company did not record any write-offs of accrued interest income on available for sale securities for the three and six nine months ended June 30, 2023 September 30, 2023. No securities held by the Company were delinquent on contractual payments at June 30, 2023 September 30, 2023, nornor were any securities placed on non-accrual status for the three and six nine months then ended.

The actual maturities of certain available for sale or held to maturity securities may differ from the contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. A schedule of the contractual maturities of available for sale and held to maturity securities as of June 30, 2023 September 30, 2023 is presented below:

	Available-for-sale	Held-to-maturity		Available-for-sale	Held-to-maturity	
	Fair Value	Amortized Cost	Fair Value	Fair Value	Amortized Cost	Fair Value
		(In Thousands)			(in thousands)	
Within 1 year	$ 5,007	$ 6,350	$ 6,267	$ 5,006	$ 7,267	$ 7,183
After 1 year through 5 years	—	23,700	22,324	—	21,672	20,324
After 5 years through 10 years	—	3,233	2,830	—	3,538	3,068
After 10 years	—	43,972	38,242	—	42,392	35,269
Total	$ 5,007	$ 77,255	$ 69,663	$ 5,006	$ 74,869	$ 65,844

When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on the sale. There were no sales of securities during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

The carrying value of securities pledged to secure advances from the Federal Home Loan Bank of Boston (“FHLBB”) was $65.7 63.3 million and $63.0 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

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The aggregate fair value and unrealized losses of securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more, and are not other-than-temporarily impaired, have no allowance for credit losses, are as follows as of June 30, 2023 September 30, 2023 and December 31, 2022:

Less than 12 Months		12 Months or Longer		Total		Less than 12 Months		12 Months or Longer		Total	
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
		(In Thousands)						(in thousands)			

June 30, 2023												
September 30, 2023												
Held to Maturity:												
Debt securities issued by U.S. government-sponsored enterprises	$ 4,576	$ (55)	$ 6,081	$ (505)	$ 10,657	$ (560)	$ 2,723	$ (23)	$ 6,974	$ (500)	$ 9,697	$ (523)
Mortgage-backed securities	8,347	(145)	34,661	(5,787)	43,008	(5,932)	7,442	(275)	32,748	(7,093)	40,190	(7,368)
Corporate bonds	-	-	10,569	(1,025)	10,569	(1,025)	-	-	10,505	(1,080)	10,505	(1,080)
U.S. Treasury securities	2,443	(1)	2,825	(76)	5,268	(77)	2,476	(1)	2,846	(54)	5,322	(55)
Total temporarily impaired securities	$ 15,366	$ (201)	$ 54,136	$ (7,393)	$ 69,502	$ (7,594)	$ 12,641	$ (299)	$ 53,073	$ (8,727)	$ 65,714	$ (9,026)
December 31, 2022												
Held to Maturity:												
Debt securities issued by U.S. government-sponsored enterprises	$ 2,847	$ (40)	$ 5,046	$ (538)	$ 7,893	$ (578)	$ 2,847	$ (40)	$ 5,046	$ (538)	$ 7,893	$ (578)
Mortgage-backed securities	20,795	(1,294)	24,710	(4,887)	45,505	(6,181)	20,795	(1,294)	24,710	(4,887)	45,505	(6,181)
Corporate bonds	10,571	(1,041)	-	-	10,571	(1,041)	10,571	(1,041)	-	-	10,571	(1,041)
U.S. Treasury securities	2,809	(93)	-	-	2,809	(93)	2,809	(93)	-	-	2,809	(93)

Total temporarily impaired securities	$ 37,022	$ (2,468)	$ 29,756	$ (5,425)	$ 66,778	$ (7,893)	$ 37,022	$ (2,468)	$ 29,756	$ (5,425)	$ 66,778	$ (7,893)

Management evaluates securities for expected credit losses at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation.

At June 30, 2023 September 30, 2023, five four debt securities issued by U.S. government-sponsored enterprises, fifty-one fifty-two mortgage backed securities, seven corporate bonds and two U.S. treasury securities had unrealized losses with aggregate depreciation of 5.0 5.1%, 12.1 15.5%, 8.8 9.3% and 1.5 1.0%, respectively, from the Company's amortized cost basis. These unrealized losses relate to changes in market interest rates since acquiring the securities. As management has the intent and ability to hold debt securities until maturity or cost recovery, no allowance for credit losses on securities is deemed necessary as of June 30, 2023 September 30, 2023.

NOTE 4 – LOANS, ALLOWANCE FOR CREDIT LOSSES AND CREDIT QUALITY

Loans

Loans that the Company has the intent and ability to hold until maturity or payoff are carried at amortized cost (net of the allowance for credit losses). Amortized cost is the principal amount outstanding, adjusted by partial charge-offs and net of deferred loan costs or fees. For originated loans, loan fees and certain direct origination costs are deferred and amortized into interest income over the contractual life of the loan using the level-yield method. When a loan is paid off, the unamortized portion is recognized in interest income. Interest income on loans is accrued based upon the daily principal amount outstanding except for loans on nonaccrual status. As a general rule, loans more than 90 days past due with respect to principal or interest are classified as nonaccrual loans, or sooner if management considers such action to be prudent. However, loans that are more than 90 days past due may be kept on an accruing status if the loan is well secured and in the process of collection. Income accruals are suspended on all nonaccrual loans in a timely manner and all previously accrued and uncollected interest is reversed against current income. A loan can be returned to accrual status when collectibility of principal and interest is reasonably assured and the loan has performed for a period of time, generally six months. When doubt exists as to the collectability of a loan, any payments received are applied to reduce the amortized cost of the loan to the extent necessary to eliminate such doubt. For all loan portfolios, a charge-off occurs when the Company determines that a specific loan, or portion thereof, is uncollectible. This determination is made based on management's review of specific facts and circumstances of the individual loan, including the expected cash flows to repay the loan, the value of the collateral and the ability and willingness of any guarantors to perform.

Allowance for Credit Losses - Loans Held for Investment

The allowance for credit losses is established based upon the Company's current estimate of expected lifetime credit losses on loans measured at amortized cost. Credit losses are charged against the allowance when management's assessments confirm that the Company will not collect the full amortized cost basis of a loan. Subsequent recoveries, if any, are credited to the allowance. Under the CECL methodology, the Company estimates credit losses for financial assets on a collective basis for loans sharing similar risk characteristics using a quantitative model combined with an assessment of certain qualitative factors designed to address forecast risk and model risk inherent in the quantitative model output. The quantitative model utilizes a loss factor based approach to estimate expected credit losses, which are derived from internal historical and industry loss experience. The model estimates expected credit losses using loan level data over the estimated life of the exposure, considering the effect of prepayments. Economic forecasts are incorporated into the estimate over a reasonable and supportable forecast period, beyond which is a reversion to the historical long-run average. Management has determined a reasonable and supportable period of 12 months, and a reversion period of 12 months, to be appropriate for purposes of estimating expected credit losses. The qualitative risk factors impacting the expected risk of loss within the portfolio include the following:

- Lending policies and procedures
- Economic and business conditions
- Nature and volume of loans
- Changes in management
- Changes in credit quality
- Changes in loan review system
- Changes to underlying collateral values
- Concentrations of credit risk
- Other external factors

Loans that do not share similar risk characteristics with any pools of assets are subject to individual assessment and are removed from the collectively assessed pools to avoid double counting. For the loans that will be individually assessed, the Company will use either a discounted cash flow ("DCF") approach or a fair value of collateral approach. The latter approach will be used for loans deemed to be collateral dependent or when foreclosure is probable. Accrued interest receivable amounts are excluded from balances of loans held at amortized cost and are included within accrued interest receivable in the consolidated balance sheets. Management has elected not to measure an allowance for credit losses on these amounts as the Company employs a timely write-off policy. Consistent with the Company's policy for nonaccrual loans, accrued interest receivable is typically written off when loans reach 90 days past due and are placed on nonaccrual status.

In the ordinary course of business, the Company enters into commitments to extend credit. Such financial instruments are recorded in the financial statements when they are funded. The credit risk associated with these commitments is evaluated in a manner similar to the allowance for credit losses. The reserve for unfunded lending commitments is included in other liabilities in the consolidated balance sheets.

Loans consisted of the following as of the dates indicated:

	At June 30, 2023		At December 31, 2022		At September 30, 2023		At December 31, 2022	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)				(Dollars in thousands)			
Real estate loans:								
One- to four-family residential	$ 386,198	38.4%	$ 355,381	39.8%				
One-to-four family residential					$ 395,290	39.3%	$ 355,381	39.8%
Multi-family	271,621	27.0%	241,951	27.1%	281,192	28.0%	241,951	27.1%
Commercial	195,656	19.5%	156,212	17.5%	185,657	18.5%	156,212	17.5%
Home equity lines of credit and loans	32,725	3.3%	27,783	3.1%	33,407	3.3%	27,783	3.1%
Construction	109,524	10.9%	107,317	12.0%	101,615	10.1%	107,317	12.0%
Other loans:								
Commercial loans	9,445	0.9%	4,266	0.5%	8,471	0.8%	4,266	0.5%
Consumer	260	0.0%	222	0.0%	248	0.0%	222	0.0%
	1,005,429	100.0%	893,132	100.0%	1,005,880	100.0%	893,132	100.0%
Less:								
Net deferred loan fees	(260)		(258)		(229)		(258)	
Allowance for credit losses	(8,470)		(7,200)		(8,292)		(7,200)	
Total loans, net	$ 996,699		$ 885,674		$ 997,359		$ 885,674	

Certain directors and executive officers of the Company and companies in which they have a significant ownership interest are also customers of the Bank. Total outstanding loan balances to such persons and their companies amounted to $909,000 889,000 and $943,000 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. The following table sets forth the activity for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	(In Thousands)		(In Thousands)		(in thousands)		(in thousands)	
Beginning Balance	$ 927	$ 1,320	$ 943	$ 1,257	$ 909	$ 1,223	$ 943	$ 1,257
New Loans	—	—	—	-	—	—	—	—
Advances	—	200	—	300	—	75	—	375
Paydowns	(18)	(297)	(34)	(334)	(20)	(325)	(54)	(659)
Ending Balance	$ 909	$ 1,223	$ 909	$ 1,223	$ 889	$ 973	$ 889	$ 973

The carrying value of loans pledged to secure advances from the FHLBB were $561.7 558.3 million and $333.5 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

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The following tables set forth information regarding the allowance for credit losses as of and for the three and six nine months ended June 30, 2023 September 30, 2023:

	For the three months ended June 30, 2023 (in thousands)						**For the three months ended September 30, 2023 (in thousands)**				
	Beginning Balance	Cumulative effect accounting adjustment	Charge-offs	Recoveries	Provision	Ending Balance(2)	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision (benefit)**	**Ending Balance(1)**
Real estate loans:											

One-to four-family residential	$ 1,961	$ -	$ -	$ -	$ 19	$ 1,980					
One-to-four family residential							$ 1,980	$ -	$ -	$ 40	$ 2,020
Multi-family	2,075	-	-	-	75	2,150	2,150	-	-	79	2,229
Commercial	2,330	-	-	-	18	2,348	2,348	-	-	(154)	2,194
Home equity lines of credit and loans	186	-	-	-	17	203	203	-	-	4	207
Construction	1,491	-	-	-	79	1,570	1,570	-	-	(126)	1,444
Other loans:											
Commercial loans	213	-	-	-	5	218	218	-	-	(21)	197
Consumer	1	-	-	-	-	1	1	(1)	1	-	1
Total	$ 8,257	$ -	$ -	$ -	$ 213	$ 8,470	$ 8,470	$ (1)	$ 1	$ (178)	$ 8,292

	For the six months ended June 30, 2023 (in thousands)					
	Beginning Balance	Cumulative effect accounting adjustment(1)	Charge-offs	Recoveries	Provision	Ending Balance(2)
Real estate loans:						
One- to four-family residential	$ 1,703	$ 130	$ -	$ -	$ 147	$ 1,980
Multi-family	1,839	77	-	-	234	2,150
Commercial	1,797	145	-	-	406	2,348
Home equity lines of credit and loans	194	(20)	-	-	29	203
Construction	1,286	136	-	-	148	1,570
Other loans:						
Commercial loans	60	34	-	-	124	218
Consumer	1	-	-	-	-	1
Unallocated	320	(320)	-	-	-	-
Total	$ 7,200	$ 182	$ -	$ -	$ 1,088	$ 8,470

	For the nine months ended September 30, 2023 (in thousands)					
	Beginning Balance	**Cumulative effect accounting adjustment(2)**	**Charge-offs**	**Recoveries**	**Provision**	**Ending Balance(1)**
Real estate loans:						
One-to-four family residential	$ 1,703	$ 130	$ -	$ -	$ 187	$ 2,020
Multi-family	1,839	77	-	-	313	2,229
Commercial	1,797	145	-	-	252	2,194
Home equity lines of credit and loans	194	(20)	-	-	33	207
Construction	1,286	136	-	-	22	1,444
Other loans:						
Commercial loans	60	34	-	-	103	197
Consumer	1	-	(1)	1	-	1
Unallocated	320	(320)	-	-	-	-
Total	$ 7,200	$ 182	$ (1)	$ 1	$ 910	$ 8,292

(1) Balances of accrued interest receivable excluded from amortized cost and the calculation of allowance for credit losses amounted to $2.9 million as of September 30, 2023.

(2) Represents an adjustment needed to reflect the cumulative day one impact pursuant to the Company's adoption of Accounting Standards Update 2016-13. The adjustment for the six nine months ended June 30, 2023 September 30, 2023 represents a $182,000 increase to the allowance attributable to the change in accounting methodology for estimating the allowance for credit losses resulting from the Company's adoption of the standard.

(2) Balances of accrued interest receivable excluded from amortized cost and the calculation of allowance for credit losses amounted to $2.7 million as of June 30, 2023.

The following table shows the age analysis of past due financing receivables loans as of the date indicated:

	30–59 Days	60–89 Days	90 Days or More	Total Past Due	Total Current	Total Loans	90 days or more and accruing	30–59 Days	60–89 Days	90 Days or More	Total Past Due	Total Current	Total Loans	90 days or more and accruing
	(in Thousands)							(in thousands)						
As of June 30, 2023														
As of September 30, 2023														
Real estate loans:														
Residential	$ —	$ 275	$ —	$ 275	$ 385,923	$ 386,198	$ —							
One-to-four family residential								$ 507	$ —	$ 274	$ 781	$ 394,509	$ 395,290	$ —

Multi-family	—	—	—	—	271,621	271,621	—	—	—	—	—	281,192	281,192	—
Commercial	—	—	—	—	195,656	195,656	—	—	—	—	—	185,657	185,657	—
Home equity lines of credit and loans	46	17	—	63	32,662	32,725	—	97	8	16	121	33,286	33,407	—
Construction	—	—	—	—	109,524	109,524	—	—	—	—	—	101,615	101,615	—
Other loans:														
Commercial	—	—	—	—	9,445	9,445	—	—	—	—	—	8,471	8,471	—
Consumer	—	—	—	—	260	260	—	—	—	—	—	248	248	—

$ 46	$ 292	$ —	$ 338	$ 1,005,091	$ 1,005,429	$ —	$ 604	$ 8	$ 290	$ 902	$ 1,004,978	$ 1,005,880	$ —

The following table shows information regarding nonaccrual loans as of the dates indicated:

	Nonaccrual Balances					
	As of June 30, 2023			Three Months Ended June 30, 2023	Six Months Ended June 30, 2023	As of December 31, 2022
	With Allowance for Credit Losses	Without Allowance for Credit Losses	Total	Interest Income Recognized	Interest Income Recognized	Total
	(in Thousands)					
Real estate loans:						
Residential	$ —	$ 923	$ 923	$ 14	$ 14	$ 656
Multi-family	—	—	—	—	—	—
Commercial	—	—	—	—	—	—
Home equity lines of credit and loans	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Other loans:						
Commercial	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total nonaccrual loans	$ —	$ 923	$ 923	$ 14	$ 14	$ 656

	As of September 30, 2023			Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023

	With Allowance for Credit Losses	Without Allowance for Credit Losses	Total	Interest Income Recognized	Interest Income Recognized
			(in thousands)		
Real estate loans:					
One-to-four family residential	$ —	$ 1,195	$ 1,195	$ 12	$ 26
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Home equity lines of credit and loans	—	16	16	—	—
Construction	—	—	—	—	—
Other loans:					
Commercial	—	—	—	—	—
Consumer	—	—	—	—	—
Total nonaccrual loans	$ —	$ 1,211	$ 1,211	$ 12	$ 26

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Credit Quality Information

The Company utilizes a seven grade internal loan rating system for multi-family and commercial real estate, construction, commercial loans and certain residential and home equity lines of credit as follows:

Loans rated 1 – 3: Loans in these categories are considered “pass” rated loans with low to average risk.

Loans rated 4: Loans in this category are considered “special mention.” These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 5: Loans in this category are considered “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Bank will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered “doubtful.” Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible (loss) and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial loans with aggregate potential outstanding balances of $500,000 or more, and all commercial real estate loans (including multi-family and construction loans as well as residential and home equity line of credit loans to commercial borrowers) with aggregate potential outstanding balances of $1.0 million or more. For all other loans that are not formally rated, the Company initially assesses credit quality based upon the borrower's ability to pay and subsequently monitors these loans based on the borrower's payment activity.

The following table details the amortized cost balances of the Company's loan portfolios, presented by credit quality indicator and origination year as of June 30, 2023 September 30, 2023:

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	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
As of June 30, 2023 September 30, 2023				(Dollars in thousands)					
One- to four-family One-to-four family residential									
Pass	$ 1,874 2,956	$ 34,854 36,791	$ 16,708 15,626	$ 5,251 5,206	$ 4,309 4,268	$ 9,731 9,320	$ —	$ —	$ 72,727 74,167
Special Mention	—	—	—	813 810	—	459 457	—	—	1,272 1,267
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loans not formally rated(1)	24,696 35,886	89,560 89,996	74,795 73,559	53,088 52,081	7,580 7,482	62,480 60,852	—	—	312,199 319,856
Total	$ 26,570 38,842	$ 124,414 126,787	$ 91,503 89,185	$ 59,152 58,097	$ 11,889 11,750	$ 72,670 70,629	$ —	$ —	$ 386,198 395,290
Current-period gross charge-offs (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Multi-family

Pass	$ 38,07 9 40,7 32	$188,17 0 195, 365	$25,014 24,87 2	$ 9,009 8,942	$ —	$ 10,33 9 10,0 31	$ 1,010 1,050	$ —	$271,62 1 280, 992	
Special Mention	200	—	—	—	—	—	—	—	200	
Substandard	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	
Loans not formally rated (1)	—	—	—	—	—	—	—	—	—	
Total	40,93 $ 2	195,36 $ 5	$24,872	$ 8,942	$ —	10,03 $ 1	$ 1,050	$ —	281,19 $ 2	
Current-period gross charge-offs (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	
Commercial real estate										
Pass	32,01 $ 3	$72,933	$24,286	16,66 $ 3	$ 4,096	31,97 $ 0	$ 3,696	$ —	185,65 $ 7	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	
Loans not formally rated (1)	—	—	—	—	—	—	—	—	—	2 7 1 , 6 2 1 1 8 15 , , 06 15
Total	38,07 9 32,0 $ 13	188,17 0 72,9 $ 33	25,014 24,28 $ 6	9,009 16,66 $ 3	$ 4,096	31,97 $ 0	$ 3,696	$ —	$10,339	
Commercial real estate Current-period gross charge-offs (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	

Home equity lines of credit and loans

Pass	$ 42,050	$71,053	$24,400	$ 16,939	$ 4,136	$ 33,379	$ 3,699 327	$ —	$195,656 —	6 , , 25 57 29
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	—
Loans not formally rated (1)	— 377	37	12	—	— 67	— 41	— 25,734	— 560	—	26,82 8 33 13 , , 54
Total	$ 42,050 704	$ 71,053 37	$24,400	$ 16,939	$ 4,136	$ 33,379	$ 3,699 12	$ —	$ 195,656 67	460 7

Home equity lines of credit and loans Current-period gross charge-offs (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Construction

Pass	$ 3282 0,653	$54,145	$18,883	$ —	$ 2,006	$ 2,988	$ —	$ —	$ —	5,082 9 48 , , 76 57 5
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	

Loans not formally rated	351	37	13	—	69	45	26,567	561	27,643
Total	$ 679	$ 37	$ 13	$ —	$ 69	$ 45	$ 31,321	$ 561	$32,725
Construction									
Pass	$ 13,485	$63,287	$22,483	$ 2,256	$ 2,006	$ 2,988	$ —	$ —	$ 106,505
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loans not formally rated	900	2,119	—	—	—	—	—	—	3,019
Total	$ 14,385	$65,406	$22,483	$ 2,256	$ 2,006	$ 2,988	$ —	$ —	$ 109,524
Commercial loans									
Pass	$ 4,760	$ 2,924	$ 452	$ 45	$ 97	$ 165	$ 900	$ —	$ 9,343
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loans not formally rated	—	—	102	—	—	—	—	—	102
Total	$ 4,760	$ 2,924	$ 554	$ 45	$ 97	$ 165	$ 900	$ —	$ 9,445

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D ou btf ul	—	—	—	—	—	—	—	—	—

Loans not formally rated (1)	1,303	1,637	—	—	—	—	—	—	2,940
Total	$ 21,956	$ 55,782	$ 18,883	$ —	$ 2,006	$ 2,988	$ —	$ —	$ 101,615
Current-period gross charge-offs (2)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Commercial loans									
Pass	$ 3,402	$ 3,454	$ 440	$ 40	$ 87	$ 159	$ 817	$ —	$ 8,399
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Loans not formally rated (1)	—	—	72	—	—	—	—	—	72

Total										$ 3,402	$ 3,454	$ 512	$ 40	$ 87	$ 159	$ 817	$ —	$ 8,471
Current-period gross charge-offs (2)										$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer																		
Pass	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Special Mention	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Doubtful	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loans not formally rated	43	42	50	—	—	75	50	—	260									
Loans not formally rated (1)										38	40	48	—	—	74	48	—	248
Total	$ 43	$ 42	$ 50	$ —	$ —	$ 75	$ 50	$ —	$ 260	$ 38	$ 40	$ 48	$ —	$ —	$ 74	$ 48	$ —	$ 248
Gross write-offs (1)	—																	

Current-period gross charge-offs (2)	$ 1	$—	$—	$—	$—	$—	$—	$—	$—

1-Gross gross write off (1) There was one home equity line of credit loan originated prior to 2019 with an amortized cost of $16,000 that is not formally rated and was on non-accrual as of September 30, 2023. All other loans not formally rated were accruing as of September 30, 2023.

(2) Gross charge-off disclosures are made starting in the period of adoption and prospectively.

At June 30, 2023 September 30, 2023, the Company had one consumer mortgage loan secured by residential real estate property in the process of foreclosure with a carrying amount of $110,000.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company did notnot provide loan restructurings involving borrowers that are experiencing financial difficulty.

Prior Period Disclosures Pre Adoption of ASC 326

The following tables set forth information regarding the allowance for loan losses for the three and six nine months ended June 30, 2022 September 30, 2022:

For the three months ended June 30, 2022 (in thousands)					**For the three months ended September 30, 2022 (in thousands)**				
Beginning Balance	Charge-offs	Recoveries	Provision (benefit)	Ending Balance	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision**	**Ending Balance**

Real estate loans:										
One- to four-family residential	$ 1,311	$ -	$ -	$ 158	$ 1,469					
One-to-four family residential						$ 1,469	$ -	$ -	$ 183	$ 1,652
Multi-family	463	-	-	316	779	779	-	-	386	1,165
Commercial	1,150	-	-	203	1,353	1,353	-	-	201	1,554
Home equity lines of credit and loans	191	-	-	2	193	193	-	1	10	204
Construction	871	-	-	79	950	950	-	-	131	1,081
Other loans:										
Commercial loans	50	-	-	(4)	46	46	-	-	14	60
Consumer	1	-	-	-	1	1	-	-	-	1
Unallocated	320	-	-	-	320	320	-	-	-	320
Total	$ 4,357	$ -	$ -	$ 754	$ 5,111	$ 5,111	$ -	$ 1	$ 925	$ 6,037

For the six months ended June 30, 2022	For the nine months ended September 30, 2022
(in thousands)	(in thousands)

	Beginning Balance	Charge-offs	Recoveries	Provision (benefit)	Ending Balance	**Beginning Balance**	**Charge-offs**	**Recoveries**	**Provision (benefit)**	**Ending Balance**
Real estate loans:										
One- to four-family residential	$ 1,271	$ -	$ -	$ 198	$ 1,469					
One-to-four family residential						$ 1,271	$ -	$ -	$ 381	$ 1,652
Multi-family	417	-	-	362	779	417	-	-	748	1,165
Commercial	1,099	-	-	254	1,353	1,099	-	-	455	1,554
Home equity lines of credit and loans	185	-	-	8	193	185	-	1	18	204
Construction	855	-	-	95	950	855	-	-	226	1,081
Other loans:										
Commercial loans	60	-	-	(14)	46	60	-	-	-	60
Consumer	2	-	-	(1)	1	2	-	-	(1)	1
Unallocated	347	-	-	(27)	320	347	-	-	(27)	320
Total	$ 4,236	$ -	$ -	$ 875	$ 5,111	$ 4,236	$ -	$ 1	$ 1,800	$ 6,037

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The following table sets forth information regarding the allowance for loan losses and portfolio evaluation method as of December 31, 2022:

	As of December 31, 2022 (in thousands)						As of December 31, 2022 (in thousands)				
	Allowance for loans individually evaluated for impairment	Allowance for loans collectively evaluated for impairment	Total allowance for loan losses	Loans individually evaluated for impairment	Loans collectively evaluated for impairment	Total loans	**Allowance for loans individually evaluated for impairment**	**Allowance for loans collectively evaluated for impairment**	**Total allowance for loan losses**	**Loans individually evaluated for impairment**	**Loans collectively evaluated for impairment**
Real estate loans:											
One- to four-family residential	$ -	$ 1,703	$ 1,703	$ 656	$ 354,725	$ 355,381					

One-to-four family residential							$ -	$ 1,703	$ 1,703	$ 656	$ 354,725
Multi-family	-	1,839	1,839	-	241,951	241,951	-	1,839	1,839	-	241,951
Commercial	-	1,797	1,797	-	156,212	156,212	-	1,797	1,797	-	156,212
Home equity lines of credit and loans	-	194	194	-	27,783	27,783	-	194	194	-	27,783
Construction	-	1,286	1,286	-	107,317	107,317	-	1,286	1,286	-	107,317
Other loans:											

Commercial loans	-	60	60	-	4,266	4,266	-	60	60	-	4,266
Consumer	-	1	1	-	222	222	-	1	1	-	222
Unallocated	-	320	320	-	-	-	-	320	320	-	-
Total	$ -	$ 7,200	$ 7,200	$ 656	$ 892,476	$ 893,132	$ -	$ 7,200	$ 7,200	$ 656	$ 892,476

The following table shows the age analysis of past due financing receivables as of the date indicated:

	30–59 Days	60–89 Days	90 Days or More	Total Past Due	Total Current	Total Loans	90 days or more and accruing	Loans on Non-accrual	30–59 Days	60–89 Days	90 Days or More	Total Past Due	Total Current	Total Loans	90 days or more and accruing	Loans on Non-accrual
	(in Thousands)								(in thousands)							
As of December 31, 2022																
Real estate loans:																
Residential	$ —	$ —	$ 189	$ 189	$ 355,192	$ 355,381	$ —	$ 656								

One-to-four family residential									$ —	$ —	$ 189	$ 189	$ 355,192	$ 355,381	$ —	$ 656
Multi-family	—	—	—	—	241,951	241,951	—	—	—	—	—	—	241,951	241,951	—	—
Commercial	—	—	—	—	156,212	156,212	—	—	—	—	—	—	156,212	156,212	—	—
Home equity lines of credit and loans	—	—	—	—	27,783	27,783	—	—	—	—	—	—	27,783	27,783	—	—
Construction	—	—	—	—	107,317	107,317	—	—	—	—	—	—	107,317	107,317	—	—

Other loans:																
Commercial	—	—	—	—	4,266	4,266	—	—	—	—	—	—	4,266	4,266	—	—
Consumer	—	—	—	—	222	222	—	—	—	—	—	—	222	222	—	—
	$ —	$ —	$ 189	$ 189	$ 892,943	$ 893,132	$ —	$ 656	$ —	$ —	$ 189	$ 189	$ 892,943	$ 893,132	$ —	$ 656

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The following table presents the Bank's loans by credit quality indicator as of December 31, 2022:

	Real Estate							
	Residential	**Multi-family**	**Commercial**	**Home Equity Lines of Credit and Loans**	**Construction**	**Commercial**	**Consumer**	**Total**
	(In Thousands)							
As of December 31, 2022								
Grade								
Pass	$ 63,817	$ 241,951	$ 156,212	$ 2,995	$ 103,272	$ 4,266	$ —	$ 572,513
Special mention	467	—	—	—	—	—	—	467
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loans not formally rated	291,097	—	—	24,788	4,045	—	222	320,152

	$ 355,381	$ 241,951	$ 156,212	$ 27,783	$ 107,317	$ 4,266	$ 222	$ 893,132

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Information about loans that meet the definition of an impaired loan in Accounting Standards Codification (ASC) 310-10-35 is as follows as of and for the three and six nine months ended June 30, 2022 September 30, 2022:

	As of June 30, 2022			Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(in Thousands)						
June 30, 2022							
With no related allowance recorded:							
Real estate loans:							
Residential	$ 723	$ 723	$ —	$ 696	$ 5	$ 691	$ 12
Multi-family	—	—	—	—	—	—	—
Commercial	—	—	—	—	—	—	—
Home equity lines of credit and loans	—	—	—	—	—	49	1
Construction	—	—	—	—	—	—	—
Other loans:							
Commercial	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total impaired with no related allowance	723	723	—	696	5	740	13
With an allowance recorded:							
Real estate loans:							
Residential	—	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—
Home equity lines of credit and loans	—	—	—	—	—	—	—
Commercial	—	—	—	—	—	—	—
Construction	—	—	—	—	—	—	—
Other loans:							
Commercial	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total impaired with a related allowance	—	—	—	—	—	—	—

Total							
Real estate loans:							
Residential	723	723	—	696	5	691	12
Multi-family	—	—	—	—	—	—	—
Commercial	—	—	—	—	—	—	—
Home equity lines of credit and loans	—	—	—	—	—	49	1
Construction	—	—	—	—	—	—	—
Other loans:							
Commercial	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—
Total impaired loans	$ 723	$ 723	$ —	$ 696	$ 5	$ 740	$ 13

	As of September 30, 2022			Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
	(in thousands)						
September 30, 2022							
With no related allowance recorded:							
One-to-four family residential	$ 699	$ 699	$ —	$ 701	$ 29	$ 694	$ 41
Home equity lines of credit and loans	—	—	—	—	—	33	1
Total impaired loans	$ 699	$ 699	$ —	$ 701	$ 29	$ 727	$ 42

There were no impaired loans with an allowance recorded as of or during the nine months ended September 30, 2022.

Information about loans that meet the definition of an impaired loan in Accounting Standards Codification (ASC) 310-10-35 is as follows as of December 31, 2022:

	As of December 31, 2022		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(in Thousands)	

December 31, 2022			
With no related allowance recorded:			
Real estate loans:			
Residential	$ 656	$ 656	$ —
Multi-family	—	—	—
Commercial	—	—	—
Home equity lines of credit and loans	—	—	—
Construction	—	—	—
Other loans:			
Commercial	—	—	—
Total impaired with no related allowance	656	656	—
With an allowance recorded:			
Real estate loans:			
Residential	—	—	—
Multi-family	—	—	—
Home equity lines of credit and loans	—	—	—
Commercial	—	—	—
Construction	—	—	—
Other loans:			
Commercial	—	—	—
Total impaired with a related allowance	—	—	—
Total			
Real estate loans:			
Residential	656	656	—
Multi-family	—	—	—
Commercial	—	—	—
Home equity lines of credit and loans	—	—	—
Construction	—	—	—
Other loans:			
Commercial	—	—	—
Total impaired loans	$ 656	$ 656	$ —

	As of December 31, 2022		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(in thousands)	
December 31, 2022			

With no related allowance recorded:			
One-to-four family residential	$ 656	$ 656	$ —
Total impaired loans	$ 656	$ 656	$ —

There were no impaired loans with an allowance recorded as of December 31, 2022.

There were no consumer mortgage loans secured by residential real estate in the process of foreclosure as of December 31, 2022.

During three and six nine months ended June 30, 2022 September 30, 2022, there were no loans that were modified in a troubled debt restructuring and there were no loans modified as TDR loans that subsequently defaulted within one year of the modification.

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NOTE 5 – EMPLOYEE BENEFITS

Pension Plans

Defined Benefit Plan

The Company provided pension benefits for its employees through membership in the Defined Benefit Plan of the Co-operative Banks Employees Retirement Association (CBERA) (the Plan). The Plan is a multi-employer plan whereby the contributions by each bank are not restricted to provide benefits to the employees of the contributing bank. Each employee reaching the age of 21 and having completed at least one year of service automatically became eligible to participate in the Plan. Participants became vested after completion of six years of eligible service.

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At the December 15, 2021 Board of Directors meeting, the Directors voted to freeze benefit accruals and withdraw from the CBERA Plan as of April 30, 2022. The Company recorded a liability as of December 31, 2021 and a related expense, each in the amount of $2,001,000, related to this withdrawal.

For the three and six nine months ended June 30, 2022 September 30, 2022, a benefit of $241,000 0 and $582,000, respectively, was recorded to reflect a reduction in the liability related to the withdrawal from the defined benefit plan. The reduction was primarily driven by increases in interest rates since December 31, 2021, which caused defined benefit plan discount rates to rise. In May of 2022, the final withdrawal liability was determined to be $1,419,000. The Company paid the final amount and has withdrawn from the plan Plan in the second quarter of 2022.

401(k) Plan

The Company has adopted a savings plan which qualifies under Section 401(k) of the Internal Revenue Code and provides for voluntary contributions by participating employees ranging from 1% to 75% of their compensation, subject to certain limitations based on federal tax laws. The Company makes matching contributions equal to 100% of each employee's voluntary contributions, up to 7% of the employee's compensation, as defined.

Total expense related to the 401(k) plan for the three and six nine months ended June 30, 2023 September 30, 2023 amounted to $116,000 120,000 and $231,000 351,000, respectively. Total expense related to the 401(k) plan for the three and six nine months ended June 30, 2022 September 30, 2022 amounted to $96,000 100,000 and $180,000 280,000, respectively.

Employee Incentive Plan

The Company provides an employee incentive plan which is approved annually by the Board of Directors, based on various factors. The employee incentive plan expense for the three and six nine months ended June 30, 2023 September 30, 2023 amounted to $360,000 363,000 and $714,000 1,077,000, respectively. The employee incentive plan expense for the three and six nine months ended June 30, 2022 September 30, 2022 amounted to $296,000 355,000 and $562,000 918,000, respectively.

Supplemental Executive Retirement Plan (SERP)

The Company formed a SERP for certain executive officers. The SERP provides nonfunded retirement benefits designed to supplement benefits available through the Bank's other retirement plans for employees.

The liability for the SERP amounted to $1,022,000 and $1,156,000 as of September 30, 2023 and December 31, 2022, respectively. The benefit for the three and six nine months ended June 30, 2023 September 30, 2023 amounted to $20,000 19,000 and $39,000 58,000, respectively. The expense for the three and six nine months ended June 30, 2022 September 30, 2022 amounted to $25,000 and $50,000 76,000, respectively.

Director Fee Continuation Plan (DFCP)

Effective January 1, 2017, the Company established a Director Fee Continuation Plan which provides supplemental retirement benefits for directors. Under the DFCP, individuals who are directors as of the effective date of the DFCP are 100% vested in their benefits. Individuals who become directors after the effective date shall be fully vested in their accounts after having served on the Board of Directors for twelve years. The expense for the three and six nine months ended June 30, 2023 September 30, 2023 amounted to $22,000 and

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$44,000 66,000, respectively. The expense for the three and six nine months ended June 30, 2022 September 30, 2022 amounted to $32,000 and $64,000 96,000, respectively.

Supplemental Executive Retirement Agreement

On January 1, 2018, the Company entered into a supplemental executive retirement agreement with a named executive officer whereby the Company is obligated to provide post-retirement salary continuation benefits equal to 60% of the executive officer's final average compensation, as defined. Benefits are 100% vested, commence upon retirement, and are payable based on a ten-year certain and life annuity. The liability for the Plan amounted to $3,140,000 3,170,000 and $3,081,000 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. The expense recognized for the Plan for the three and six nine months ended June

30, 2023 September 30, 2023 amounted to $30,000 and $59,000 89,000, respectively. The expense recognized for the Plan for the three and six nine months ended June 30, 2022 September 30, 2022 amounted to $187,000 and $374,000 561,000, respectively.

Executive Deferred Compensation Agreement

Plans

In 2021 and 2023, the Company entered into a deferred compensation agreement plans with a two named executive officer officers that allows allow the Company to make contributions to an account for the executive officer officers each year, as of January 1, based on the prior year's performance and the Company's intent that the contribution equal 10% of the executive officer's salary officers' salaries and bonus. bonuses. The Company may make other contributions to the deferred compensation plan, plans, at its discretion, at other times during the year. The expense recognized under the deferred compensation plan plans for the three and six nine months ended June 30, 2023 September 30, 2023 amounted to $11,000 41,000 and $22,000 63,000, respectively. The expense recognized under the deferred compensation plan plans for the three and six nine months ended June 30, 2022 September 30, 2022 amounted to $4,000 5,000 and $22,000 27,000, respectively.

Deferred Compensation Plan for Directors

The Company maintains the Everett Co-operative Bank Deferred Compensation Plan for Directors (the "Director Deferred Compensation Plan") to allow for certain tax planning opportunities and additional retirement income for directors of the Company. All non-employee directors are eligible to participate in the Director Deferred Compensation Plan. Under the Director Deferred Compensation Plan, directors may elect to defer the receipt of up to 100% of their director fees. Participants are always 100% vested in their deferred fees and any interest credited to those deferrals. Earnings are credited to a participant's deferrals each year and are indexed to the highest certificate of deposit rate offered by the Bank. Bank on January 1st of each year. The liability for the Director Deferred Compensation Plan amounted to $617,000 658,000 and $592,000 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

Employment and Change in Control Agreements

During 2022, the Company entered into an employment agreement with the Chief Executive Officer and Change in Control agreements with certain executive officers, which provide severance payments in the event of the executive's involuntary or constructive termination of employment, including upon a termination following a change in control as defined in the agreements.

Survivor Benefit Plan

The Company entered into Survivor Benefit Plan Participation Agreements with a group of employees whereby the Company is obligated to provide up to two years of recognized compensation, as defined, to the beneficiary if the participant dies while employed by the Company. There was no expense recorded during the three and six nine months ended June 30, 2023 September 30, 2023. The expense recognized for the three and six nine months ended June 30, 2022 September 30, 2022 was $0 and $166,000. , respectively.

Employee Stock Ownership Plan

As part of the Initial Public Offering ("IPO") completed on July 27, 2022, the Bank established a tax-qualified Employee Stock Ownership Plan ("ESOP") to provide eligible employees the opportunity to own Company shares. The ESOP borrowed $7.3 million from the Company to purchase 734,020 common shares during the IPO. The loan is payable in annual installments over 20 years at an interest rate of 4.75%. As the loan is repaid to the Company, shares are released and allocated proportionally to eligible participants on the basis of each participant's proportional share of compensation relative to the compensation of all participants. The unallocated ESOP shares are pledged as collateral on the loan.

The Company accounts for its ESOP in accordance with FASB ASC 718-40, Compensation – Stock Compensation. Under this guidance, unreleased shares are deducted from shareholders' equity as unearned ESOP shares in the accompanying consolidated balance sheets. The Company recognizes compensation expense equal to the fair value of the ESOP shares during the periods in which they are committed to be released. To the extent that the fair value of the Company's ESOP shares differs from the cost of such shares, the difference will be credited or debited to shareholders' equity. As the loan is internally leveraged, the loan receivable from the ESOP to the Company is not reported as an asset nor is the debt of the ESOP shown as a liability in the Company's consolidated balance sheets.

Total compensation expense recognized in connection with the ESOP was $112,000 114,000 and $251,000 365,000 for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. There was noThe expense recognized was $215,000for both the three and six nine months ended June 30, 2022 September 30, 2022. The following table presents share information held by the ESOP:

	As of September 30, 2023	**As of December 31, 2022**
	(Dollars in thousands)	
Allocated shares	36,701	36,701
Shares committed to be released	27,451	-
Unallocated shares	669,868	697,319
Total shares	734,020	734,020
Fair value of unallocated shares	$ 7,353	$ 11,192

NOTE 6 - STOCK-BASED COMPENSATION

On September 7, 2023, the Company adopted the ECB Bancorp, Inc. 2023 Equity Incentive Plan ("2023 Equity Plan"). The 2023 Equity Plan provides 1,248,133 shares of common stock for equity based compensation awards including restricted stock awards, restricted stock units, stock options, and incentive stock options. As of September 30, 2023, there were 1,003,189 shares available for future grants.

Stock-Based Compensation - Stock Options

On September 8, 2023, the Company granted 174,960 stock options to non-employee directors. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model. The following table sets forth information regarding the grant:

Date of grant		9/8/2023
Options granted		174,960
Vesting period (years)		5
Expiration date		9/8/2033
Expected volatility (1)		30.17 %
Expected term (years) (2)		6.50
Expected dividend yield (3)		0.00 %
Risk free rate of return (4)		4.31 %
Fair value per option	$	4.74

(1) Expected volatility is based on the standard deviation of the historical volatility of the daily adjusted closing price of a group of peers' shares.

(2) Expected term represents the period of time that the option is expected to be outstanding. The Company determined that expected life using the "Simplified Method."

(3) Expected dividend yield is determined based on management's expectations regarding issuing dividends in the foreseeable future.

(4) The risk-free rate of return is based on the U.S. Treasury yield curve in effect at the time of grant for a period equivalent to the expected term of the option.

	As of June 30, 2023	As of December 31, 2022
	(Dollars in thousands)	
Allocated shares	36,701	36,701
Shares committed to be released	18,200	-
Unallocated shares	679,119	697,319
Total shares	734,020	734,020
Fair value of unallocated shares	$ 8,883	$ 11,192

The following tables represent stock option activities for the periods indicated:

	Three months ended September 30, 2023	
	Outstanding and exercisable	Non-vested

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($1000)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($1000)
Balance at beginning of period	-	$ -	-	$ -	-	$ -	-	$ -
Granted	-	-	-	-	174,960	11.80	9.95	-
Exercised	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-
Forfeited or expired	-	-	-	-	-	-	-	-
Balance at end of period	-	$ -	-	$ -	174,960	$ 11.80	9.95	$ -

	Nine months ended September 30, 2023							
	Outstanding and exercisable				Non-vested			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($1000)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($1000)
Balance at beginning of period	-	$ -	-	$ -	-	$ -	-	$ -
Granted	-	-	-	-	174,960	11.80	9.95	-
Exercised	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-
Forfeited or expired	-	-	-	-	-	-	-	-
Balance at end of period	-	$ -	-	$ -	174,960	$ 11.80	9.95	$ -

Stock-Based Compensation - Restricted Stock Awards

The restricted stock awards are measured based on grant-date fair value, which reflects the closing price of our stock on the date of grant. Restricted stock awards vest over five years in equal portions beginning on the first anniversary date of the restricted stock award.

On September 8, 2023, the Company granted 69,984 restricted stock awards to non-employee directors with a five-year vesting period. The following table represents information regarding non-vested restricted stock award activities for the periods indicated:

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Number of Shares	Weighted-Average Grant Date Fair Value Per Share	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance at beginning of period	-	$ -	-	$ -
Granted	69,984	11.80	69,984	11.80
Vested	-	-	-	-
Forfeited	-	-	-	-
Balance at end of period	69,984	$ 11.80	69,984	$ 11.80

The following table represents the compensation expense and income tax benefit recognized for stock options and restricted stock awards for the periods indicated:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
	(in thousands)	
Stock-based compensation expense		
Stock options	$ 10	$ 10
Restricted stock awards	10	10
Total stock-based compensation expense	$ 20	$ 20
Related tax benefits recognized in earnings	$ 6	$ 6

There was no stock-based compensation expense or related income tax benefit recognized for the three and nine months ended September 30, 2022.

The following table sets forth the total compensation cost related to non-vested awards not yet recognized and the weighted average period (in years) over which it is expected to be recognized as of September 30, 2023:

	Amount	Weighted average period
	(in thousands)	
Stock options	$ 819	4.95
Restricted stock awards	816	4.95
Total	$ 1,635	

There was no unrecognized stock-based compensation expense as of December 31, 2022.

NOTE 6 7 - FAIR VALUE MEASUREMENTS

ASC 820-10, Fair Value Measurement – Overall, provides a framework for measuring fair value under U.S. GAAP. This guidance also allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis.

In accordance with ASC 820-10, the Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets and financial liabilities carried at fair value for June 30, 2023 September 30, 2023 and December 31, 2022.

The Company's investment in debt instruments available for sale is generally classified within Level 2 of the fair value hierarchy. For those securities, the Bank obtains fair value measurements from independent pricing services. The fair value

measurements consider observable data that considers standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

The Company's individually assessed collateral dependent loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using appraisals obtained from a third party, and are adjusted for selling costs. These appraised values may be discounted based on management's historical knowledge, expertise, or changes in the market conditions from time of valuation. For Level 3 inputs, fair values are based upon management's estimates of the value of the underlying collateral or the present value of the expected cash flows.

As of June 30, 2023 September 30, 2023 and December 31, 2022, the following summarizes assets measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(In Thousands)				(in thousands)			
June 30, 2023								
September 30, 2023								
Corporate bonds	$ 5,007	$ —	$ 5,007	$ —	$ 5,006	$ —	$ 5,006	$ —
				$ —				$ —
Total available for-sale-securities	$ 5,007	$ —	$ 5,007	$ —	$ 5,006	$ —	$ 5,006	$ —
December 31, 2022								
Corporate bonds	$ 5,001	$ —	$ 5,001	$ —	$ 5,001	$ —	$ 5,001	$ —
Total available for-sale-securities	$ 5,001	$ —	$ 5,001	$ —	$ 5,001	$ —	$ 5,001	$ —

Under certain circumstances, the Company makes adjustments to its assets and liabilities although they are not measured at fair value on an ongoing basis.

As of June 30, 2023 September 30, 2023 and December 31, 2022, the Bank had no assets or liabilities for which a nonrecurring change in fair value had been recorded.

ASC Topic 825, “Financial Instruments,” requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. ASU 2016-01 requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The exit price notion is a market-based measurement of fair value that is represented by the price to sell an asset or transfer a liability in the principal market (or most advantageous market in the absence of a principal market) on the measurement date. For June 30, 2023 September 30, 2023 and December 31, 2022, fair values of loans are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

	June 30, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	$ 79,866	$ 79,866	$ 79,866	$ -	$ -
Held-to-maturity securities	77,255	69,663	-	69,663	-
Federal Home Loan Bank stock	9,892	9,892	-	9,892	-
Loans, net	996,699	927,865	-	-	927,865
Accrued interest receivable	3,038	3,038	3,038	-	-
Bank-owned life insurance	14,264	14,264	-	14,264	-
Financial liabilities:					
Deposits, other than certificates of deposit	$ 378,142	$ 378,142	$ -	$ 378,142	$ -
Certificates of deposit	408,825	400,872	-	400,872	-
Federal Home Loan Bank advances	234,000	230,952	-	230,952	-
Accrued interest payable	1,882	1,882	1,882	-	-

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	December 31, 2022					September 30, 2023				
	Carryin g Amount	Fair Value	Level 1	Level 2	Level 3	Carryin g Amoun t	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)					(in thousands)				
Financial assets:										

Cash and cash equivalents	$ 62,050	$ 62,050	$ 62,050	$ -	$ -	$ 97,387	$ 97,387	$ 97,387	$ -	$ -
Interest bearing time deposits	300	300	-	300	-					
Held-to-maturity securities	77,591	69,707	-	69,707	-	74,869	65,844	-	65,844	-
Federal Home Loan Bank stock	7,293	7,293	-	7,293	-	9,571	9,571	-	9,571	-
Loans, net	885,674	841,271	-	-	841,271	997,359	915,147	-	-	915,147
Accrued interest receivable	2,632	2,632	2,632	-	-	3,390	3,390	3,390	-	-
Bank-owned life insurance	14,067	14,067	-	14,067	-	14,367	14,367	-	14,367	-
Financial liabilities:										
Deposits, other than certificates of deposit	$ 398,302	$ 398,302	$ -	$ 398,302	$ -	$ 370,508	$ 370,508	$ -	$ 370,508	$ -
Certificates of deposit	319,847	310,943	-	310,943	-	442,023	434,310	-	434,310	-
Federal Home Loan Bank advances	174,000	172,427	-	172,427	-	224,000	217,282	-	217,282	-
Accrued interest payable	736	736	736	-	-	1,284	1,284	1,284	-	-

	December 31, 2022				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(in thousands)		

Financial assets:					
Cash and cash equivalents	$ 62,050	$ 62,050	$ 62,050	$ -	$ -
Interest bearing time deposits	300	300	-	300	-
Held-to-maturity securities	77,591	69,707	-	69,707	-
Federal Home Loan Bank stock	7,293	7,293	-	7,293	-
Loans, net	885,674	841,271	-	-	841,271
Accrued interest receivable	2,632	2,632	2,632	-	-
Bank-owned life insurance	14,067	14,067	-	14,067	-
Financial liabilities:					
Deposits, other than certificates of deposit	$ 398,302	$ 398,302	$ -	$ 398,302	$ -
Certificates of deposit	319,847	310,943	-	310,943	-
Federal Home Loan Bank advances	174,000	172,427	-	172,427	-
Accrued interest payable	736	736	736	-	-

NOTE 7 8 – COMMITMENTS AND CONTINGENCIES

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but usually includes income producing commercial properties or residential real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of June 30, 2023 September 30, 2023 and December 31, 2022, the maximum potential amount of the Company's obligation was $0 and $13,000, respectively, for standby letters of credit. The Company's outstanding letters of credit generally have a term of less than one year. If a letter of credit is drawn upon, the Company may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Company may take possession of the collateral, if any, securing the line of credit.

Amounts of financial instrument liabilities instruments whose contract amounts represent off-balance sheet credit risk are as follows as of June 30, 2023 September 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
	(In Thousands)	
Commitments to originate loans	$ 22,030	$ 37,220
Commitments to purchase loans	-	6,653
Unadvanced funds on lines of credit	78,328	80,224
Unadvanced funds on construction loans	61,740	72,431
Letters of credit	-	13
	$ 162,098	$ 196,541

	September 30, 2023	December 31, 2022
	(in thousands)	
Commitments to originate loans	$ 32,696	$ 37,220
Commitments to purchase loans	3,035	6,653
Unadvanced funds on lines of credit	79,871	80,224
Unadvanced funds on construction loans	56,275	72,431
Letters of credit	-	13
	$ 171,877	$ 196,541

The Bank accrues for credit losses related to off-balance sheet financial instruments. Potential losses on off-balance sheet loan commitments are estimated using the same risk factors used to determine the allowance for credit losses, adjusted for the likelihood that funding will occur. The allowance for off-balance sheet commitments is recorded within other liabilities on the consolidated balance sheets and amounted to $954,000 949,000 and $402,000 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. For the three and six nine months ended June 30, 2023 September 30, 2023, a benefit of $213,000 6,000 and $209,000 214,000, respectively, was recorded to reflect a reduction in allowance for off-balance sheet commitments. Provision recorded for off-balance sheet commitments was $41,000 61,000 and $60,000 120,000 for the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

NOTE 8 9 – OTHER COMPREHENSIVE (LOSS) INCOME (LOSS)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the shareholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income.

The components of other comprehensive (loss) income (loss) and related tax effects are as follows for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 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)		(in thousands)		(in thousands)	
Unrealized gains (losses) on securities:								
Net unrealized holding gains (losses) on available-for-sale securities	$ 15	$ (47)	$ (1)	$ (28)				
Unrealized (losses) gains on securities:								
Net unrealized holding (losses) gains on available-for-sale securities					$ (2)	$ 3	$ (4)	$ (24)
Reclassification adjustment for realized gains in net income	—	—	—	—	—	—	—	—
	15	(47)	(1)	(28)	(2)	3	(4)	(24)
Income tax (expense) benefit	(4)	13	—	9	—	(1)	1	7
Net-of-tax amount	11	(34)	(1)	(19)	(2)	2	(3)	(17)
Other comprehensive income (loss), net of tax	$ 11	$ (34)	$ (1)	$ (19)				
Other comprehensive (loss) income, net of tax					$ (2)	$ 2	$ (3)	$ (17)

Accumulated other comprehensive income as of June 30, 2023 September 30, 2023 and December 31, 2022 consists of unrecognized benefit costs, net of taxes, and unrealized holding gains on securities available for sale, net of tax, as follows:

	As of June 30, 2023	As of December 31, 2022	As of September 30, 2023	As of December 31, 2022
	(In thousands)		(in thousands)	
Net unrealized holding gains on securities available-for-sale, net of tax	$ 8	$ 9	$ 6	$ 9

Unrecognized SERP costs, net of tax	149	149	149	149
Unrecognized director fee continuation plan costs, net of tax	91	91	91	91
Accumulated other comprehensive income	$ 248	$ 249	$ 246	$ 249

NOTE 9 10 – REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s financial statements.

Management believes, as of June 30, 2023 September 30, 2023, that the Bank meets all capital adequacy requirements to which it is subject.

As of June 30, 2023 September 30, 2023, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, Common Equity Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank’s category.

The Bank’s actual capital amounts and ratios are presented in the table as of the dates indicated:

Actual		Minimum For Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions		Actual		Minimum For Capital Adequacy Purposes Plus Capital Conservation Buffer		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio

					(dollars in thousands)									**(dollars in thousands)**				
As of June 30, 2023																		
As of September 30, 2023																		
Total Capital (to Risk Weighted Assets)	$	14 1,6 01	15. 25 %	$	97, 48 2	10. 50 %	$	92, 84 0	10. 00 %	$	14 2,8 30	16. 40 %	$	91, 44 3	10. 50 %	$	87, 08 9	10. 00 %
Tier 1 Capital (to Risk Weighted Assets)		13 2,1 77	14. 24 %		78, 91 4	8.5 0%		74, 27 2	8.0 0%		13 3,5 89	15. 34 %		74, 02 6	8.5 0%		69, 67 1	8.0 0%
Common Equity Tier 1 Capital (to Risk Weighted Assets)		13 2,1 77	14. 24 %		64, 98 8	7.0 0%		60, 34 6	6.5 0%		13 3,5 89	15. 34 %		60, 96 2	7.0 0%		56, 60 8	6.5 0%
Tier 1 Capital (to Average Assets)		13 2,1 77	11. 21 %		47, 17 8	4.0 0%		58, 97 2	5.0 0%		13 3,5 89	11. 14 %		47, 95 5	4.0 0%		59, 94 3	5.0 0%
As of December 31, 2022																		
Total Capital (to Risk Weighted Assets)	$	13 8,0 23	16. 40 %	$	88, 38 6	10. 50 %	$	84, 17 7	10. 00 %	$	13 8,0 23	16. 40 %	$	88, 38 6	10. 50 %	$	84, 17 7	10. 00 %
Tier 1 Capital (to Risk Weighted Assets)		13 0,4 21	15. 49 %		71, 55 0	8.5 0%		67, 34 2	8.0 0%		13 0,4 21	15. 49 %		71, 55 0	8.5 0%		67, 34 2	8.0 0%
Common Equity Tier 1 Capital (to Risk Weighted Assets)		13 0,4 21	15. 49 %		58, 92 4	7.0 0%		54, 71 5	6.5 0%		13 0,4 21	15. 49 %		58, 92 4	7.0 0%		54, 71 5	6.5 0%
Tier 1 Capital (to Average Assets)		13 0,4 21	13. 89 %		37, 56 2	4.0 0%		46, 95 3	5.0 0%		13 0,4 21	13. 89 %		37, 56 2	4.0 0%		46, 95 3	5.0 0%

NOTE 10 11 - EARNINGS PER SHARE ("EPS")

Basic EPS represents earnings per share is calculated by dividing the income available to common shareholders divided shares by the weighted-average number of common shares outstanding during the year. period. Diluted EPS reflects earnings per share have been calculated in a manner similar to that of basic earnings per share except that the potential dilution that could occur if securities or other contracts to issue weighted average number of common shares (such as stock options) were exercised or converted into outstanding is increased to include the number of additional common shares that would then share in the earnings of the entity. Diluted EPS is computed by dividing net income attributable to common shareholders by the weighted-average number of have been outstanding if all potentially dilutive common shares outstanding for (such as those resulting from the period, plus exercise of stock options) were issued during the effect of potential dilutive common share equivalents period, computed using the treasury stock method. There were no securities that had a dilutive effect during the three and six nine months ended June 30, 2023, September 30, 2023 or the three and therefore the weighted-average common shares outstanding used to calculate both basic and diluted EPS are the same. nine months ended September 30, 2022. Unallocated ESOP shares are not deemed outstanding for earnings per share calculations. Earnings per share data is not applicable for

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(in thousands, except per share data)			
Net income (loss) allocated to common stock	$ 1,341	$ (1,035)	$ 3,667	$ 1,744
Weighted-average common shares outstanding used to calculate basic earnings (loss) per common share	8,486,577	8,445,615	8,485,936	8,445,615
Add: Dilutive effect of stock options and restricted stock awards	-	-	-	-
Weighted-average common shares outstanding used to calculate diluted earnings (loss) per common share	8,486,577	8,445,615	8,485,936	8,445,615
Earnings (loss) per common share				
Basic	$ 0.16	$ (0.12)	$ 0.43	$ 0.21
Diluted	$ 0.16	$ (0.12)	$ 0.43	$ 0.21

For the three and six nine months ended June 30, 2022 as September 30, 2023, the Company had shares that were anti-dilutive, and therefore excluded from the calculation of diluted earnings per share, included options to purchase 174,960 shares of common stock and 69,984 shares of restricted stock awards. For the three and nine months ended September 30, 2022, there were no shares outstanding. anti-dilutive shares.

	Three months ended June 30, 2023	Six months ended June 30, 2023

	(In Thousands, except per share data)			
Net income applicable to common shares	$	1,425	$	2,326
Average number of common shares outstanding		9,175,247		9,175,247
Less: Average unallocated ESOP shares		(685,119)		(689,637)
Average number of common shares outstanding used to calculate basic earnings per common share		8,490,128		8,485,610
Common stock equivalents		-		-
Average number of common shares outstanding used to calculate diluted earnings per common share		8,490,128		8,485,610
Earnings per common share				
Basic	$	0.17	$	0.27
Diluted	$	0.17	$	0.27

NOTE 11 12 - SUBSEQUENT EVENTS

Management has reviewed events occurring through August 11, 2023 On October 31, 2023, the date Company granted a total of 235,973 restricted stock awards to certain employees pursuant to its 2023 Equity Incentive Plan. The fair value of the unaudited consolidated financial statements were issued and determined that outside the item noted below, there were no material subsequent events requiring recognition or disclosure. stock granted was approximately $2.4 million.

On August 10, 2023 October 31, 2023, the Company's Board Company granted a total of Directors authorized a program589,009 stock options to repurchase up certain employees pursuant to its 2023 Equity Incentive Plan. These options were granted with an exercise price of $458,762 10.12 shares of the Company's outstanding common stock, which equals approximately 5.0% of shares currently outstanding. .

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

General

Management's discussion and analysis of the financial condition and results of operations at and for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto, appearing on Part I, Item 1 of this quarterly report on Form 10-Q.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "believe," "contemplate," "continue," "intend," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan portfolio; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, t fair value of financial instruments, or our level of loan originations, or increase the level of defaults, losses and prepayments loans we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees, capital requirements and insurance premiums;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third-party providers to perform as expected;
- a failure or breach of our operational or security systems or infrastructure, including cyberattacks;
- our ability to manage market risk, credit risk and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;

- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- the risk of adverse changes in business conditions due to geo-political tensions;
- our ability to attract and retain key employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Critical Accounting Policies

There are no material changes to the critical accounting policies disclosed in ECB Bancorp, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2023.

Critical Accounting Estimates

The discussion and analysis of the financial condition and results of operations are based on our consolidated financial statements, which are prepared in conformity with generally accepted accounting principles used in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. We consider the accounting policies discussed below to be critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

Allowance for Credit Losses

The Company estimates the allowance for credit losses in accordance with the CECL methodology for loans measured at amortized cost. The allowance for credit losses is established based upon the Company's current estimate of expected lifetime credit losses. Arriving at an appropriate amount of allowance for credit losses involves a high degree of judgment.

The Company estimates credit losses on a collective basis for loans sharing similar risk characteristics using a quantitative model combined with an assessment of certain qualitative factors designed to address forecast risk and model risk inherent in the quantitative model output. Management's judgement is required for the selection and application of these factors which are derived from historical loss experience as well as assumptions surrounding expected future losses and economic forecasts.

Loans that no longer share similar risk characteristics with any pools of assets are subject to individual assessment and are removed from the collectively assessed pools to avoid double counting. For the loans that are individually assessed, the Company uses either a discounted cash flow ("DCF") approach or a fair value of collateral approach. The latter approach is used for loans deemed to be collateral dependent or when foreclosure is probable. Changes in these judgements and assumptions could be due to a number of circumstances which may have a direct impact on the provision for credit losses and may result in changes to the amount of allowance. The allowance for credit losses is increased by the provision for credit losses and by recoveries of loans previously charged off. Credit losses are charged against the allowance when management's assessments confirm that the Company will not collect the full amortized cost basis of a loan.

Income Taxes

We use the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are

reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax asset will not be realized. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments may require us to make projections of future taxable income and/or to carryback to taxable income in prior years. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets.

Securities Valuation

We classify our investments in debt securities as either held-to-maturity or available-for-sale. Securities classified as held-to maturity are recorded at amortized cost. Available-for-sale securities are carried at fair value. We obtain our fair values from one or more third-party services. This service's fair value calculations are based on quoted market prices when such prices are available. If quoted market prices are not available, estimates of fair value are computed using a variety of techniques, including extrapolation from the quoted prices of similar instruments or recent trades for thinly traded securities, fundamental analysis, or through obtaining purchase quotes. Due to the subjective nature of the valuation process, it is possible that the actual fair values of these investments could differ from the estimated amounts, thereby affecting our financial position, results of operations and cash flows.

For any debt security with a fair value less than its amortized cost basis, we will determine whether we have the intent to sell the debt security or whether it is more likely than not we will be required to sell the debt security before the recovery of its amortized cost basis. If either condition is met, the Company will recognize a full impairment charge to earnings. For all other debt securities that don't meet either condition and that have expected credit losses, the credit loss will be recognized in earnings. Any non-credit related loss impairment related to all other factors will be recorded in other comprehensive income (loss). Management also assesses the nature of the unrealized losses taking into consideration factors such as changes in risk-free interest rates, general credit spread widening, market supply and demand, creditworthiness of the issuer, and quality of the underlying collateral.

Comparison of Financial Condition at June 30, 2023 September 30, 2023 and December 31, 2022

Total Assets. Total assets increased $133.0 million $149.3 million, or 12.5% 14.0%, to $1.20 billion $1.21 billion at June 30, 2023 September 30, 2023 from $1.06 billion at December 31, 2022. The increase was primarily the result of increases in loans and cash and cash equivalents.

Cash and Cash Equivalents. Cash and cash equivalents increased $17.8 million $35.3 million, or 28.7% 56.9%, to $79.9 million $97.4 million at June 30, 2023 September 30, 2023 from $62.1 million at December 31, 2022. Cash and cash equivalents increased primarily due to increases in deposits and borrowings that were greater than our loan growth as we have focused on maintaining strong levels of balance sheet liquidity.

Loans. Net loans increased $111.0 million $111.7 million, or 12.5% 12.6%, to $996.7 million $997.4 million at June 30, 2023 September 30, 2023 from $885.7 million at December 31, 2022. The largest increases in our loan portfolio were in commercial

- One-to-four family residential real estate one- loans increased $39.9 million, or 11.2%, to four-family residential, multi-family commercial loans. $395.3 million at September 30, 2023 from $355.4 million at December 31, 2022.
- Multi-family real estate loans increased $39.3 million, or 16.2%, to $281.2 million at September 30, 2023 from $242.0 millio December 31, 2022.
- Commercial real estate loans increased $39.4 million $29.4 million, or 25.3% 18.8%, to $185.7 million at September 30, 202 from $156.2 million at December 31, 2022 to June 30, 2023. One- to four-family residential real estate loans increased $30. million, or 8.7%, from December 31, 2022 to June 30, 2023. Multi-family real estate loans increased $29.7 million, or 12.3% from December 31, 2022 to June 30, 2023. Commercial loans increased $5.2 million, or 121.4%, from December 31, 2022 t June 30, 2023.

Federal Home Loan Bank stock. The Federal Home Loan Bank (FHLB) is a cooperative bank that provides services to its member banking institutions. The primary reason for our membership in the FHLB is to gain access to a reliable source of wholesale funding and as a tool to manage interest rate risk. The purchase of stock in the FHLB is a requirement for a member to gain access to funding. We purchase and/or are subject to redemption of FHLB stock proportional to the volume of funding received and view the holdings as a necessary long-term investment for the purpose of balance sheet liquidity and not for investment return. We held an investment in FHLB stock of $9.9 million $9.6 million and $7.3 million at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. The amount of stock we are required to purchase is in proportion to our FHLB borrowings and level of total assets. Accordingly, the increase in the FHLB stock is due to increased borrowings.

Bank-owned Life Insurance. We invest in bank-owned life insurance to help offset the costs of our employee benefit plan obligations. Bank-owned life insurance also generally provides noninterest income that is nontaxable. Bank-owned life insurance increased $197,000, $300,000, or 1.4% 2.1%, to $14.3 million $14.4 million at June 30, 2023 September 30, 2023 from $14.1 million at December 31, 2022. The increase was due

to an increase of $197,000 $300,000 in the cash surrender value of our bank-owned life insurance portfolio during the six nine months ended June 30, 2023 September 30, 2023.

Deposits. Deposits increased $68.8 million $94.4 million, or 9.6% 13.1%, to $787.0 million $812.5 million at June 30, 2023 September 30, 2023 from $718.1 million at December 31, 2022. This increase was primarily the result

- Certificates of an increase in deposit increased $122.2 million, or 38.2%, to $442.0 million at September 30, 2023 from $3 million at December 31, 2022. Brokered certificates of deposit of $89.0 million decreased $13.1 million, or 27.8% 13.1%, an increase in to $87.7 million at September 30, 2023 from $100.8 million at December 31, 2022.

- 32 savings Savings accounts of $24.1 million increased $19.5 million, or 16.3% 13.2%, to $167.9 million at September $148.4 million at December 31, 2022. Partially offsetting these increases was a decrease in money

- Money market deposit accounts of $38.5 million decreased $38.7 million, or 28.3% 28.5%, and a decrease in interest-beari $97.4 million at September 30, 2023 from $136.1 million at December 31, 2022.

- Interest bearing checking accounts of $7.9 million decreased $8.4 million, or 27.5% 29.2%, to $20.5 million at Septembe 2023 from $28.9 million at December 31, 2022.

Core deposits (defined as all deposits other than certificates of deposit), decreased $20.2 million $27.8 million, or 5.1% 7.0%, to $378.1 million $370.5 million at June 30, 2023 September 30, 2023 from $398.3 million at December 31, 2022. At June 30, 2023 and December 31, 2022, we had $87.7 million and $100.8 million of brokered deposits, respectively.

Federal Home Loan Bank Advances. Advances from the Federal Home Loan Bank increased $60.0 million $50.0 million, or 34.5% 28.7%, to $234.0 million $224.0 million at June 30, 2023 September 30, 2023 from $174.0 million at December 31, 2022. The increase in advances was utilized to support loan growth and enhance liquidity.

Shareholders' Equity. Total shareholders' equity increased $1.9 million $2.8 million, or 1.2% 1.7%, to $164.6 million $165.5 million at June 30, 2023 September 30, 2023 from $162.7 million at December 31, 2022. The increase was primarily due to net income of $2.3 million $3.7 million for the six nine months ended June 30, 2023 September 30, 2023 partially offset by a $677,000 reduction in retained earnings related to the adoption of CECL. CECL and a $589,000 reduction in additional paid-in capital related to stock repurchases.

Comparison of Operating Results for the Three Months Ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022

Net Income. We recorded net income of $1.43 million $1.3 million for the three months ended June 30, 2023 September 30, 2023, compared to a net income loss of $1.40 million $1.0 million for the three months ended June 30, 2022 September 30, 2022. The net loss during the three months ended September 30, 2022 was driven by a $3.2 million charitable contribution to the Everett Co-operative Bank Charitable Foundation made in connection with our initial public offering.

Interest and Dividend Income. Interest and dividend income increased $7.6 million $6.4 million, or 123.9% 82.5%, to $13.7 million $14.2 million for the three months ended June 30, 2023 September 30, 2023 from $6.1 million $7.8 million for the three months ended June 30, 2022 September 30, 2022. This increase was due to a $6.4 million $5.2 million increase in interest and fees on loans, a $337,000 $363,000 increase in interest and dividends on investment securities and a $774,000 an $879,000 increase in other interest income. The increase in interest and fees on loans was driven by an increase of $426.6 million $324.1 million in the average balance of the loan portfolio to $998.1 million $1.0 billion for the three months ended June 30, 2023 September 30, 2023 from $571.5 million $677.6 million for the three months ended June 30, 2022 September 30, 2022, as well as an increase in the average yield of 89 69 basis points to 4.87% 4.88% during the three months ended June 30, 2023 September 30, 2023 from 3.98% 4.19% during the three months ended June 30, 2022 September 30, 2022. The yield for the three months ended June 30, 2023 September 30, 2023 benefited from new loans with higher rates as well as adjustable rate loans repricing higher. The increase in interest and dividend income on investment securities was driven by an increase in the yield on securities of 84 73 basis points to 2.51% 2.58% during the three months ended June 30, 2023 September 30, 2023 from 1.67% 1.85% during the three months ended June 30, 2022 September 30, 2022, as well as an increase of $5.9 million $7.2 million in the average balance of the investment security portfolio to $81.2 million $81.4 million for the three months ended June 30, 2023 September 30, 2023 from $75.3 million $74.3 million for the three months ended June 30, 2022 September 30, 2022. The increase in other interest income resulted primarily from an increase in the yield on short term investments of 424 321 basis points to 5.10% 5.39% during the three months ended June 30, 2023 September 30, 2023 from 0.86% 2.18% during the three months ended June 30, 2022 September 30, 2022, as well as an increase of $27.2 million $37.6 million in the average balance of short term investments to $67.8 million $83.2 million for the three months ended June 30, 2023 September 30, 2023 from $40.6 million $45.6 million for the three months ended June 30, 2022 September 30, 2022. The increase in yield was driven by increases in the rate paid on reserves at the Federal Reserve Bank.

Average interest-earning assets increased $459.4 million $368.5 million, to $1.15 billion $1.17 billion for the three months ended June 30, 2023 September 30, 2023 from $687.7 million $797.8 million for the three months ended June 30, 2022 September 30, 2022. The yield on interest-earning assets increased 117 90 basis points to 4.72% 4.75% for the three months ended June 30, 2023 September 30, 2023 from 3.55% 3.85% for the three months ended June 30, 2022 September 30, 2022.

Interest Expense. Total interest expense increased $6.5 million $6.9 million, or 893.4% 561.2%, to $7.3 million $8.1 million for the three months ended June 30, 2023 September 30, 2023 from $730,000 $1.2 million for the three months ended June 30, 2022 September 30, 2022. Interest expense on deposit accounts increased $4.4 million $4.8 million, or 681.3% 470.0%, to $5.1 million $5.8 million for the three months ended June 30, 2023 September 30, 2023 from $647,000 $1.0 million for the three months ended June 30, 2022 September 30, 2022, primarily due to an increase in the cost of interest bearing deposits of 243 251 basis points to 2.93% 3.25% for the three months ended June 30, 2023 September 30, 2023 from 0.50% 0.74% for the three months ended June 30, 2022 September 30, 2022 and an increase in the average balance of interest-bearing deposits of $176.7 million $167.3 million, or 34.3% 30.6%, to $692.0 million $713.5 million for the three months ended June 30, 2023 September 30, 2023 from $515.2 million $546.2 million for the three months ended June 30, 2022 September 30, 2022. Interest expense on FHLB advances increased $2.1 million $2.0 million, or 2,547.0% 1,035.5%, to $2.2 million for the three months ended June 30, 2023 September 30, 2023 from $83,000 $197,000 for the three months ended June 30, 2022 September 30, 2022, primarily due to an increase in the average balance of FHLB advances of $200.1 million $179.2 million, or 726.5% 405.6%, to $228.3 million $223.3 million for the three months ended June 30, 2023 September 30, 2023 from $27.6 million $44.2 million for the three months ended June 30, 2022 September 30, 2022 as we increased well as an increase in the cost of FHLB advances of 220 basis points to 3.97% for the three months ended September 30, 2023 from 1.77% for the three months ended September 30, 2022. The increase in FHLB advances was used to fund loan growth and for liquidity management.

Net Interest and Dividend Income. Net interest and dividend income increased $1.0 million, decreased $453,000, or 19.3% 6.9%, to $6.4 million $6.1 million for the three months ended June 30, 2023 September 30, 2023 from $5.4 million $6.5 million for the three months ended June 30, 2022 September 30, 2022, primarily due to an $82.0 million a decrease in the net interest rate spread of 170 basis points to 1.33% for the three months ended September 30, 2023 from 3.03% for the three months ended September 30, 2022, partially offset by a $22.0 million increase in the average balance of net interest-earning assets during the three months ended June 30, 2023, partially offset by a decrease in the net interest rate spread of 145 basis points September 30, 2023 as compared to 1.56% for the three months ended June 30, 2023 from 3.01% for the three months ended June 30, 2022 September 30, 2022. The decrease in the net interest rate spread was due to an increase in the cost of interest-bearing liabilities that exceeded the increase in the yield on interest-earning assets resulting primarily from the significant increase in market interest rates that directly impact our funding costs. The net interest margin decreased 94 124 basis points to 2.18% for the three months

ended June 30, 2023 from 3.12% 2.00% for the three months ended June 30, 2022. The decrease in our net interest margin was less than September 30, 2023 from 3.24% for the decrease in our net interest rate spread largely due to the interest-earning asset growth that was funded with the zero cost capital that was raised in the stock offering.three months ended September 30, 2022.

Provision for Credit Losses. Based on management's analysis of the adequacy of the allowance for credit losses, a provision benefit of $0 $184,000 was recorded for the three months ended June 30, 2023 September 30, 2023, compared to a provision of $754,000 $925,000 for the three months ended June 30, 2022 September 30, 2022. The $754,000, $1.1 million, or 100% 119.9%, decrease in the provision was driven by lower loan growth during the three months ended June 30, 2023 September 30, 2023 as compared to the three months ended June 30, 2022 September 30, 2022 as well as a benefit shift in the mix of our loan portfolio to the provision resulting from a reduction in our off-balance sheet loan commitments. In 2022, the provision for off-balance sheet commitments was recorded within other non-interest expenses. segments with lower estimated credit loss reserve requirements.

Noninterest Income. Noninterest income decreased $450,000, increased $94,000, or 65.2% 41.2%, to $240,000 $322,000 for the three months ended June 30, 2023 September 30, 2023 from $690,000 $228,000 for the three months ended June 30, 2022 September 30, 2022. The decrease resulted primarily from increase was driven by a decrease $72,000 gain recognized in income from bank-owned a life insurance of $440,000. Noninterest income for policy death benefit during the three months ended June 30, 2022 included a gain of $440,000 recognized into income from life insurance policy death benefits which did not recur in the three months ended June 30, 2023 September 30, 2023. The table below sets forth our noninterest income for three months ended June 30, 2023 September 30, 2023 and 2022:

	Three Months Ended June 30,		Change		Three Months Ended September 30,		Change	
	2023	2022	Amount	Percent	2023	2022	Amount	Percent
	(Dollars in thousands)				(Dollars in thousands)			
Customer service fees	$ 128	$ 112	$ 16	14.3 %	$ 123	$ 114	$ 9	7.9 %
Income from bank-owned life insurance	99	539	(440)	(81.6)	175	90	85	94.4
Net gain on sales of loans	5	23	(18)	(78.3)	9	16	(7)	(43.8)
Other	8	16	(8)	(50.0)	15	8	7	87.5

Total noninterest income	$ 240	$ 690	$ (450)	(65.2) %	$ 322	$ 228	$ 94	41.2 %

Noninterest Expense. Noninterest expense increased $1.1 million decreased $2.5 million, or 31.6% 34.1%, to $4.7 million $4.8 million for the three months ended June 30, 2023 September 30, 2023 from $3.6 million $7.3 million for the three months ended June 30, 2022 September 30, 2022. Significant changes are as follows:

- Charitable contributions decreased $3.2 million, primarily due or 99.8%, driven by a $3.2 million contribution to increases the Everett Co-operative Bank Charitable Foundation made in salaries the third quarter of 2022 in connection with the Company initial public offering;
- Salaries and employee benefits and FDIC deposit insurance. Salaries and employee benefit expenses increased $530,000, $235,000, or 23.1% 8.8%, in the three months ended June 30, 2023 resulting primarily from driven by merit increa and additional staffing to support our strategic plan as well as expenses related to our employee stock ownership plan which not exist in the second quarter of 2022. plan. Partially offsetting these increases this increase was a decrease in supplement executive retirement plan expenses driven by increases in defined benefit plan discount rates. rates as well as a decrease i Employee Stock Ownership Plan ("ESOP") costs. ESOP costs decreased due to a lower average stock price and lower num of shares committed to be released in the quarter ended September 30, 2023 as compared to the quarter ended Septembe 2022;

- FDIC deposit insurance expense increased $218,000, $152,000, or 340.6%. This 281.5%, driven by both increases in assessment rates charged by the FDIC as well as an increase was primarily due in our asset size; and
- Professional fees increased $128,000 or 72.7% driven by increased costs related to asset growth and higher assessment ra operating as a public company.

The table below sets forth our noninterest expense for the three months ended June 30, 2023 September 30, 2023 and 2022:

	Three Months Ended June 30,		Change		Three Months Ended September 30,		Change	
	2023	2022	Amount	Percent	2023	2022	Amount	Percent
	(Dollars in thousands)				(Dollars in thousands)			
Salaries and employee benefits	$ 2,823	$ 2,293	$ 530	23.1 %	$ 2,914	$ 2,679	$ 235	8.8 %
Director compensation	119	109	10	9.2	139	108	31	28.7
Occupancy and equipment	265	198	67	33.8	243	190	53	27.9
Data processing	256	166	90	54.2	275	222	53	23.9
Computer software and licensing fees					88	78	10	12.8
Advertising and promotions	208	138	70	50.7	201	236	(35)	(14.8)

Professional fees	295	213	82	38.5	304	176	128	72.7
FDIC deposit insurance	282	64	218	340.6	206	54	152	281.5
Charitable contributions					7	3,214	(3,207)	(99.8)
Other expense	463	400	63	17.2	434	346	88	25.4
Total noninterest expense	$ 4,711	$ 3,581	$ 1,130	31.6 %	$ 4,811	$ 7,303	$ (2,492)	(34.1) %

Income Tax Expense. Income tax expense increased $178,000, $866,000, or 54.8% 203.3%, to $503,000 $440,000 for the three months ended June 30, 2023 September 30, 2023 from $325,000 an income tax benefit of $426,000 for the three months ended June 30, 2022 September 30, 2022. The effective tax rate was 26.1% 24.7% and 18.9% 29.2% for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. The lower effective tax rate in the three months ended June 30, 2022 was driven by $440,000 in September 30, 2023 benefited from a $72,000 non-taxable gains gain recognized into income from life insurance policy death benefits.

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. Average balances are daily average balances. Non-accrual loans are included in average balances only. Average yields include the effect of deferred costs and fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended June 30,						For the Three Months Ended September 30,					
	2023			2022			2023			2022		
	Average Outstanding Balance	Interest	Yield/ Rate (5)	Average Outstanding Balance	Interest	Yield/ Rate (5)	Average Outstanding Balance	Interest	Yield/ Rate (5)	Average Outstanding Balance	Interest	Yield/ Rate (5)
	(Dollars in thousands)						(Dollars in thousands)					
Interest-earning assets:												

Total loans	$ 998,112	$ 12,122	4.87 %	$ 571,505	$ 5,678	3.98 %	$ 1,001,686	$ 12,313	4.88 %	$ 677,634	$ 7,150	4.19 %
Securities (1)	81,186	508	2.51	75,261	314	1.67	81,446	530	2.58	74,273	346	1.85
Short term investments	67,798	862	5.10	40,624	87	0.86	83,194	1,130	5.39	45,638	250	2.18
Interest bearing time deposits	-	-	-	300	1	0.71	-	-	-	300	1	0.71
Total interest-earning assets	1,147,096	13,492	4.72 %	687,690	6,080	3.55 %	1,166,326	13,973	4.75 %	797,845	7,747	3.85 %
Non-interest-earning assets	33,159			28,042			33,337			28,102		
Total assets	$ 1,180,255			$ 715,732			$ 1,199,663			$ 825,947		
Interest-bearing liabilities:												
Regular savings accounts	172,982	1,065	2.47 %	52,836	8	0.06 %						

Checking accounts	22,375	4	0.07		41,137	7	0.07		21,135	4	0.08	%	48,135	5	0.04	%
Savings accounts									169,767	1,109	2.59		57,106	13	0.09	
Money market accounts	98,468	500	2.04		198,936	170	0.34		94,988	579	2.42		178,833	215	0.48	
Certificates of deposit	398,141	3,486	3.51		222,340	462	0.83		427,561	4,151	3.85		262,082	792	1.20	
Total interest-bearing deposits	691,966	5,055	2.93		515,249	647	0.50		713,451	5,843	3.25		546,156	1,025	0.74	
Federal Home Loan Bank advances	228,264	2,197	3.86		27,618	83	1.21		223,348	2,237	3.97		44,171	197	1.77	
Total interest-bearing liabilities	920,230	7,252	3.16	%	542,867	730	0.54	%	936,799	8,080	3.42	%	590,327	1,222	0.82	%
Non-interest-bearing demand deposits	84,436				85,612				85,577				89,299			

Non-interest-bearing liabilities	11,008			7,706			11,499			7,996		
Total liabilities	1,015,674			636,185			1,033,875			687,622		
Shareholders' Equity	164,581			79,547			165,788			138,325		
Total liabilities and shareholders' equity	$ 1,180,255			$ 715,732			$ 1,199,663			$ 825,947		
Net interest income		$ 6,240			$ 5,350			$ 5,893			$ 6,525	
Net interest rate spread (2)			1.56 %			3.01 %			1.33 %			3.03 %
Net interest-earning assets (3)	$ 226,866			$ 144,823			$ 229,527			$ 207,518		
Net interest margin (4)			2.18 %			3.12 %			2.00 %			3.24 %

Average interest-earning assets to interest-bearing liabilities	124.65 %	126.68 %	124.50 %	135.15 %

(1) Excludes interest and dividends on cost method investments of $159,000 $193,000 and $16,000 $14,000 for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively.

(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

(5) Annualized

Rate/Volume Analysis. The following tables present the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior period 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. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. There were no out-of-period items or adjustments required to be excluded from the table below.

	Three Months Ended June 30, 2023 vs. 2022			Three Months Ended September 30, 2023 vs. 2022		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
	(In thousands)			(In thousands)		
Interest-earning assets:						
Loans	$ 4,965	$ 1,479	$ 6,444	$ 3,839	$ 1,324	$ 5,163
Securities	26	169	195	36	148	184
Short term investments	93	682	775	315	565	880

Interest bearing time deposits	(1)	-	(1)	(1)	-	(1)
Total interest-earning assets	$ 5,083	$ 2,330	$ 7,413	$ 4,189	$ 2,037	$ 6,226
Interest-bearing liabilities:						
Checking accounts	$ (3)	$ -	$ (3)	$ (4)	$ 3	$ (1)
Regular savings accounts	57	1,000	1,057			
Savings accounts				73	1,023	1,096
Money market accounts	(125)	455	330	(143)	507	364
Certificates of deposit	597	2,427	3,024	746	2,613	3,359
Total interest-bearing deposits	526	3,882	4,408	672	4,146	4,818
Federal Home Loan Bank advances	1,622	492	2,114	1,561	479	2,040
Total interest-bearing liabilities	$ 2,148	$ 4,374	$ 6,522	$ 2,233	$ 4,625	$ 6,858
Change in net interest income	$ 2,935	$ (2,044)	$ 891	$ 1,956	$ (2,588)	$ (632)

Comparison of Operating Results for the Six Nine Months Ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022

Net Income. We recorded net income of $2.3 million $3.7 million for the six nine months ended June 30, 2023 September 30, 2023, compared to net income of $2.8 million $1.7 million for the six nine months ended June 30, 2022 September 30, 2022.

Interest and Dividend Income. Interest and dividend income increased $14.0 million $20.4 million, or 119.6% 104.8%, to $25.7 million $39.9 million for the six nine months ended June 30, 2023 September 30, 2023 from $11.7 million $19.5 million for the six nine months ended June 30, 2022 September 30, 2022. This increase was due to a $12.1 million $17.3 million increase in interest and fees on loans, a $565,000 $928,000 increase in interest and dividends on investment securities and a $1.3 million $2.2 million increase in other interest income. The increase in interest and fees on loans was driven by an increase of $421.2 million $388.5 million in the average balance of the loan portfolio to $970.7 million $981.1 million for the six nine months ended June 30, 2023 September 30, 2023 from $549.4 million $592.6 million for the six nine months ended June 30, 2022 September 30, 2022, as well as an increase in the average yield of 77 74 basis points to 4.79% 4.82% during the six nine months ended June 30, 2023 September 30, 2023 from 4.02% 4.08% during the six nine months ended June 30, 2022 September 30, 2022. The yield for the six nine months ended June 30, 2023 September 30, 2023 benefited from new loans with higher rates as well as adjustable rate adjustable-rate loans repricing higher. The increase in interest and dividend income on investment securities was driven by an increase in the yield on securities of 83 79 basis points to 2.49% 2.52% during the six nine months ended June 30, 2023 September 30, 2023 from 1.66% 1.73% during the six nine months ended June 30, 2022 September 30, 2022, as well as an increase of $8.0 million $7.7 million in the average balance of the investment security portfolio to $81.6 million for the six nine months ended June 30, 2023 September 30, 2023 from $73.7 million $73.9 million for the six nine months ended June 30, 2022 September 30, 2022. The increase in other interest income resulted primarily from an increase in the yield on short term investments of 439 400 basis points to 4.89% 5.10% during the six nine months ended June 30, 2023 September 30, 2023 from 0.50% 1.10% during the six nine months ended June 30, 2022 September 30, 2022, as well as an increase of $17.3 million $24.1 million in the average balance of short term investments to $59.2 million $67.3 million for the six nine months ended June 30, 2023 September 30, 2023 from $41.9 million $43.1 million for the six nine months ended June 30, 2022 September 30, 2022. The increase in yield was driven by increases in the rate paid on reserves at the Federal Reserve Bank.

Average interest-earning assets increased $446.5 million $420.2 million to $1.11 billion $1.13 billion for the six nine months ended June 30, 2023 September 30, 2023 from $665.1 million $709.9 million for the six nine months ended June 30, 2022 September 30, 2022. The yield on interest earning-assets increased 110 102 basis points to 4.63% 4.67% for the six nine months ended June 30, 2023 September 30, 2023 from 3.53% 3.65% for the six nine months ended June 30, 2022 September 30, 2022.

Interest Expense. Total interest expense increased $11.5 million $18.4 million, or 811.8% 695.9%, to $12.9 million $21.0 million for the six nine months ended June 30, 2023 September 30, 2023 from $1.4 million $2.6 million for the six nine months ended June 30, 2022 September 30, 2022. Interest expense on deposit accounts increased $7.7 million $12.5 million, or

586.5% 535.3%, to $9.0 million $14.8 million for the six nine months ended June 30, 2023 September 30, 2023 from $1.3 million $2.3 million for the six nine months ended June 30, 2022 September 30, 2022, primarily due to an increase in the cost of interest bearing interest-bearing deposits of 215 228 basis points to 2.67% 2.88% for the six nine months ended June 30, 2023 September 30, 2023 from 0.52% 0.60% for the six nine months ended June 30, 2022 September 30, 2022 and an increase in the average balance of interest-bearing deposits of $172.6 million $170.8 million, or 34.2% 33.0%, to $676.5 million $688.9 million for the six nine months ended June 30, 2023 September 30, 2023 from $503.9 million $518.1 million for the six nine months ended June 30, 2022 September 30, 2022. Interest expense on FHLB advances increased $3.9 million $5.9 million, or 3,418.6% 1,904.2%, to $4.0 million $6.2 million for the six nine months ended June 30, 2023 September 30, 2023 from $113,000 $310,000 for the six nine months ended June 30, 2022 September 30, 2022, primarily due to an increase in the average balance of FHLB advances of $189.9 million $186.3 million, or 1,027.2% 686.3%, to $208.3 million $213.4 million for the six nine months ended June 30, 2023 September 30, 2023 from $18.5 million $27.1 million for the six nine months ended June 30, 2022 September 30, 2022 as we increased well as an increase in the cost of FHLB advances of 236 basis points to 3.89% for the nine months ended September 30, 2023 from 1.53% for the nine months ended September 30, 2022. The increase in FHLB advances were used to fund loan growth and for liquidity management.

Net Interest and Dividend Income. Net interest and dividend income increased $2.5 million $2.0 million, or 24.1% 12.0%, to $12.8 million $18.9 million for the six nine months ended June 30, 2023 September 30, 2023 from $10.3 million $16.8 million for the six nine months ended June 30, 2022 September 30, 2022, primarily due to a $84.0 million $63.1 million increase in the average balance of net interest-earning assets during the six nine months ended June 30, 2023 September 30, 2023, partially offset by a decrease in the net interest rate spread of 130 145 basis points to 1.68% 1.55% for the six nine months ended June 30, 2023 September 30, 2023 from 2.98% 3.00% for the six nine months ended June 30, 2022 September 30, 2022. The decrease in the net interest rate spread was due to an increase in the cost of interest-bearing liabilities that exceeded the increase in the yield on interest-earning assets resulting primarily from the significant increase in market interest rates that directly impact our funding costs. The net interest margin decreased by 82 98 basis points to 2.28% 2.18% for the six nine months ended June 30, 2023 September 30, 2023 from 3.10% 3.16% for the six nine months ended June 30, 2022 September 30, 2022. The decrease in our net interest margin was less than the decrease in our net interest rate spread largely due to the interest-earning asset growth that was funded with the zero cost capital that was raised in the stock offering.

Provision for Credit Losses. Based on management's analysis of the adequacy of the allowance for credit losses, a provision of $879,000 $696,000 was recorded for the six nine months ended June 30, 2023 September 30, 2023, which increased $4,000, decreased $1.1 million, or 0.5% 61.3%, from a provision of $875,000 $1.8 million for the six nine months ended June 30, 2022 September 30, 2022. The decrease in the provision was driven by lower loan growth during the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Noninterest Income. Noninterest income decreased $471,000, $378,000, or 50.1% 32.3%, to $470,000 $791,000 for the six nine months ended June 30, 2023 September 30, 2023 from $941,000 $1.2 million for the six nine months ended June 30, 2022 September 30, 2022. The decrease resulted primarily from a decrease in income from bank-owned life insurance of $443,000. $359,000. Noninterest income for the six nine months ended June 30, 2022 September 30, 2023 included a gain of $72,000 from life insurance policy death benefits. Noninterest income for the nine months ended September 30, 2022 included a gain of $440,000 recognized into income from life insurance policy death benefits which did not recur in the six months ended June 30, 2023.The benefits. The table below sets forth our noninterest income for six nine months ended June 30, 2023 September 30, 2023 and 2022:

	Six Months Ended June 30,		Change			Nine Months Ended September 30,		Change		
	2023	2022	Amount	Percent		2023	2022	Amount	Percent	
	(Dollars in thousands)					(Dollars in thousands)				
Customer service fees	$ 248	$ 212	$ 36	17.0	%	$ 371	$ 326	$ 45	13.8	%
Income from bank-owned life insurance	197	640	(443)	(69.2)		372	731	(359)	(49.1)	
Net gain on sales of loans	5	68	(63)	(92.6)		13	84	(71)	(84.5)	
Other	20	21	(1)	(4.8)		35	28	7	25.0	
Total noninterest income	$ 470	$ 941	$ (471)	(50.1)	%	$ 791	$ 1,169	$ (378)	(32.3)	%

Noninterest Expense. Noninterest expense increased $2.5 million decreased $45,000, or 0.3%, to $14.0 million for the nine months ended September 30, 2023 from $14.1 million for the nine months ended September 30, 2022. Significant changes are as follows:

- Charitable contributions decreased $3.2 million, or 36.3% 99.5%, driven by a $3.2 million contribution to $9.2 million for the six months ended June 30, 2023 from $6.8 million for Everett Co-operative Bank Charitable Foundation made in the six months ended June 30, 2022, primarily due to increases third quarter of 2022 in salaries connection with the Company's initial public offering;
- Salaries and employee benefits FDIC deposit insurance and professional fees. Salaries and employee benefit expenses increased $1.4 million $1.7 million, or 33.4% 23.9%, in the six months ended June 30, 2023 resulting primarily from driven by merit increases, and additional staffing to support our strategic plan as well as expenses related to our employee stock ownership plan expense recognized during the six months ended June 30, 2023. There were no expenses related to the ESOP during which did not exist in the six months ended June 30, 2022. first half of 2022. Partially offsetting these increases was a decrease in supplemental executive retirement plan expenses driven by increases in defined benefit plan discount rates. In addition, during the six The nine months ended June 30, 2022, we recorded September 30, 2022 included a benefit of $582, to reflect a reduction in

the liability related to the pending our withdrawal from the defined benefit plan. The reduction was primarily driven by increases in interest rates since December 31, 2021, which caused defined benefit plan discount rates to rise. In addition, during the six months ended June 30, 2022, we recorded expense as well as expenses of $166,000 related to our Survivor Benefit Plan. P both of which did not recur in the nine months ended September 30, 2023;

- FDIC deposit insurance assessments expense increased $298,000, $450,000, or 273.4%. This 276.1%, driven by both increases in assessment rates charged by the FDIC as well as an increase was primarily due to in our asset growth size; and higher assessment rates.
- Professional fees increased $274,000, $402,000, or 71.4% 71.8%, primarily due to driven by increased costs associated with related to operating as a public company.

The table below sets forth our noninterest expense for the six nine months ended June 30, 2023 September 30, 2023 and 2022:

	Six Months Ended June 30,		Change			Nine Months Ended September 30,		Change		
	2023	2022	Amount	Percent		2023	2022	Amount	Percent	
	(Dollars in thousands)					(Dollars in thousands)				
Salaries and employee benefits	$ 5,709	$ 4,280	$ 1,429	33.4	%	$ 8,623	$ 6,960	$ 1,663	23.9	%
Director compensation	240	217	23	10.2		379	325	54	16.6	
Occupancy and equipment	484	378	106	28.0		695	561	134	23.9	
Data processing	459	331	128	38.7		810	624	186	29.8	

Computer software and licensing fees						216	180	36	20.0	
Advertising and promotions	376	275	101	36.7		576	511	65	12.7	
Professional fees	658	384	274	71.4		962	560	402	71.8	
FDIC deposit insurance	407	109	298	273.4		613	163	450	276.1	
Charitable contributions						17	3,249	(3,232)	(99.5)	
Other expense	874	780	94	13.7		1,125	928	197	21.3	
Total noninterest expense	$ 9,207	$ 6,754	$ 2,453	36.3	%	$ 14,016	$ 14,061	$ (45)	(0.3)	%

Income Tax Expense. Income tax expense increased $3,000, $869,000, or 0.4% 220.6%, to $823,000 $1.3 million for the six nine months ended June 30, 2023 September 30, 2023 from an expense of $820,000 $394,000 for the six nine months ended June 30, 2022 September 30, 2022. The effective tax rate was 26.1% 25.6% and 22.8% 18.4% for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The lower effective tax rate in the six nine months ended June 30, 2022 September 30, 2022 was driven by $440,000 $427,000 in non-taxable gains recognized into income from life insurance policy death benefits.

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated. Average balances are daily average balances. Non-accrual loans are included in average balances only. Average yields include the effect of deferred costs and fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Six Months Ended June 30,						For the Nine Months Ended September 30,					
	2023			2022			2023			2022		
	Average Outstanding Balance	Interest	Yield/Rate (5)	Average Outstanding Balance	Interest	Yield/Rate (5)	Average Outstanding Balance	Interest	Yield/Rate (5)	Average Outstanding Balance	Interest	Yield/Rate (5)
	(Dollars in thousands)						(Dollars in thousands)					

Interest-earning assets:												
Total loans	$ 970,660	$ 23,049	4.79 %	$ 549,439	$ 10,941	4.02 %	$ 981,116	$ 35,362	4.82 %	$ 592,641	$ 18,095	4.08 %
Securities (1)	81,622	1,010	2.49	73,657	608	1.66	81,562	1,539	2.52	73,865	954	1.73
Short term investments	59,200	1,437	4.89	41,868	103	0.50	67,286	2,566	5.10	43,139	354	1.10
Interest bearing time deposits	126	-	0.70	176	1	0.71	84	1	0.69	218	1	0.71
Total interest-earning assets	1,111,608	25,496	4.63 %	665,140	11,653	3.53 %	1,130,048	39,468	4.67 %	709,863	19,404	3.65 %
Non-interest-earning assets	31,731			27,110			32,272			27,442		
Total assets	$ 1,143,339			$ 692,250			$ 1,162,320			$ 737,305		
Interest-bearing liabilities:												

Regular savings accounts	169,842	2,019	2.40 %	51,955	15	0.06 %						
Checking accounts	23,025	10	0.09	34,203	18	0.11	22,388	14	0.08 %	38,898	23	0.08 %
Savings accounts							169,817	3,129	2.46	53,691	27	0.07
Money market accounts	105,645	929	1.77	193,112	301	0.31	102,054	1,508	1.98	188,300	515	0.37
Certificates of deposit	377,956	6,015	3.21	224,620	973	0.87	394,673	10,164	3.44	237,245	1,767	1.00
Total interest-bearing deposits	676,468	8,973	2.67	503,890	1,307	0.52	688,932	14,815	2.88	518,134	2,332	0.60
Federal Home Loan Bank advances	208,343	3,975	3.85	18,483	113	1.23	213,399	6,213	3.89	27,139	310	1.53
Total interest-bearing liabilities	884,811	12,948	2.95 %	522,373	1,420	0.55 %	902,331	21,028	3.12 %	545,273	2,642	0.65 %

Non-interest-bearing demand deposits	84,251			83,223			84,698			85,270		
Non-interest-bearing liabilities	10,453			7,886			10,805			7,923		
Total liabilities	979,515			613,482			997,834			638,466		
Shareholders' Equity	163,824			78,768			164,486			98,839		
Total liabilities and shareholders' equity	$ 1,143,339			$ 692,250			$ 1,162,320			$ 737,305		
Net interest income		$ 12,548			$ 10,233			$ 18,440			$ 16,762	
Net interest rate spread (2)			1.68 %			2.98 %			1.55 %			3.00 %
Net interest-earning assets (3)	$ 226,797			$ 142,767			$ 227,717			$ 164,590		

Net interest margin (4)	2.28 %	3.10 %	2.18 %	3.16 %
Average interest-earning assets to interest-bearing liabilities	125.63 %	127.33 %	125.24 %	130.18 %

(1) Excludes interest and dividends on cost method investments of $217,000 $411,000 and $54,000 $68,000 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

(5) Annualized

Rate/Volume Analysis. The following tables present the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior period 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. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. There were no out-of-period items or adjustments required to be excluded from the table below.

	Six Months Ended June 30, 2023 vs. 2022			Nine Months Ended September 30, 2023 vs. 2022		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
	(In thousands)			(In thousands)		
Interest-earning assets:						

Loans	$ 9,678	$ 2,430	$ 12,108	$ 13,540	$ 3,727	$ 17,267
Securities	72	330	402	108	477	585
Short term investments	60	1,274	1,334	294	1,918	2,212
Interest bearing time deposits	(1)	-	(1)	-	-	-
Total interest-earning assets	$ 9,809	$ 4,034	$ 13,843	$ 13,942	$ 6,122	$ 20,064
Interest-bearing liabilities:						
Checking accounts	$ (5)	$ (3)	$ (8)	$ (10)	$ 1	$ (9)
Regular savings accounts	107	1,897	2,004			
Savings accounts				177	2,925	3,102
Money market accounts	(193)	821	628	(334)	1,327	993
Certificates of deposit	1,025	4,017	5,042	1,785	6,612	8,397
Total deposits	934	6,732	7,666	1,618	10,865	12,483
Federal Home Loan Bank advances	3,201	661	3,862	4,816	1,087	5,903
Total interest-bearing liabilities	$ 4,135	$ 7,393	$ 11,528	$ 6,434	$ 11,952	$ 18,386
Change in net interest income	$ 5,674	$ (3,359)	$ 2,315	$ 7,508	$ (5,830)	$ 1,678

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from maturities of securities. We are also able to borrow from the Federal Home Loan Bank of Boston and the Atlantic Community Bankers Bank. At June 30, 2023 September 30, 2023, we had outstanding advances of $234.0 million $224.0 million from the Federal Home Loan Bank. At June 30, 2023 September 30, 2023, we had unused borrowing capacity of $211.0 million $213.0 million with the Federal Home Loan Bank and $10.0 million with the Atlantic Community Bankers Bank.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments. The levels of these assets are dependent on our operating, financing and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities.

At June 30, 2023 September 30, 2023, we had $22.0 million $35.7 million in loan commitments outstanding. In addition to commitments to originate and purchase loans, we had $78.3 million $79.9 million in unused lines of credit to borrowers and $61.7 million $56.3 million in unadvanced construction loans.

Non brokered certificates of deposit due within one year of June 30, 2023 September 30, 2023 totaled $168.8 million $220.1 million, or 21.5% 27.2%, of total deposits. If these deposits do not remain with us, we may be required to seek other sources of funds, including brokered deposits and FHLB advances. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before June 30, 2024 September 30, 2024, or on our savings and money market accounts.

We believe, however, based on historical experience and current market interest rates that we will retain upon maturity a large portion of our certificates of deposit with maturities of one year or less as of June 30, 2023 September 30, 2023.

Our primary investing activity is originating loans. During the six nine months ended June 30, 2023 September 30, 2023 and the year ended December 31, 2022, we originated and purchased $163.2 million $198.6 million and $557.5 million of loans, respectively.

Financing activities consist primarily of activity in deposit accounts and FHLB advances. We experienced net increases in deposits of $68.8 million $94.4 million and $146.4 million for the six nine months ended June 30, 2023 September 30, 2023 and the year ended December 31, 2022, respectively. At June 30, 2023 September 30, 2023 and December 31, 2022, the level of brokered time deposits was $87.7 million and $100.8 million, respectively. Deposit flows are affected primarily by the overall level of interest rates and the interest rates and products offered by us and our competitors. FHLB advances increased by $60.0 million $50.0 million and $165.0 million for the six nine months ended June 30, 2023 September 30, 2023 and the year ended December 31, 2022, respectively.

For additional information, see the consolidated statements of cash flows for the six nine months ended June 30, 2023 September 30, 2023 and 2022 included as part of the consolidated financial statements appearing elsewhere in this Form 10-Q.

We are committed to maintaining a strong liquidity position. We continuously monitor our liquidity position and adjustments are made to the balance between sources and uses of funds as deemed appropriate by management. Liquidity risk management is an important element in our asset/liability management process. We regularly model liquidity stress scenarios to assess potential liquidity outflows or funding problems resulting from economic disruptions, volatility in the financial markets, unexpected credit events or other significant occurrences deemed problematic by management. These scenarios are incorporated into our contingency funding planning process, which provides the basis for the identification of our liquidity needs. We anticipate that we will have sufficient funds to meet our current funding commitments. In addition, based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

At June 30, 2023 September 30, 2023, Everett Co-operative Bank exceeded all of its regulatory capital requirements, and was categorized as well-capitalized at that date. Management is not aware of any conditions or events since the most recent notification of well-capitalized status that would change our category. See Note 9 10 of the notes to consolidated financial statements.

Impact of Inflation and Changing Prices

The consolidated financial statements and related data presented in this Form 10-Q have been prepared in accordance with U.S. GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable, as the Registrant is a smaller reporting company.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2023 September 30, 2023. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Registrant's disclosure controls and procedures were effective.

During the quarter ended June 30, 2023 September 30, 2023, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

The Bank Company is subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Bank's or the Company's financial condition or results of operations.

Item 1A. Risk Factors

Not applicable, as the Registrant is a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities, and Use of Proceedsand Issuer Purchases of Equity Securities

(a)There were no sales of unregistered securities during the period covered by this Report.

(b)Not applicable.

(c) On August 10, 2023, the Company announced the commencement of a stock repurchase program to acquire up to 458,7 shares, or 5% of the Company's then outstanding common stock. Repurchases will be made from time to time depending market conditions and other factors, and will be conducted through open market or private transactions, through block tra and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. There were is no issuer repurchases guarantee as to the exact number of securities shares to be repurchas the Company. The following table sets forth the information regarding the Company's common stock repurchase activitie during the period covered by this Report.
three months ended September 30, 2023:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Program
From July 1, 2023 to July 31, 2023	-	-	-	-
From August 1, 2023 to August 31, 2023	17,538	$ 12.00	17,538	441,224
From September 1, 2023 to September 30, 2023	31,704	$ 11.88	31,704	409,520
Total	**49,242**	**$ 11.92**	**49,242**	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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, thereunto duly authorized.

ECB BANCORP, INC.

Date: August 11, 2023 November 9, 2023

/s/Richard J. O'Neil, Jr.

Richard J. O'Neil, Jr.

President and Chief Executive Officer

Date: August 11, 2023 November 9, 2023

/s/John A. Citrano

John A. Citrano

Executive Vice President and Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard J. O'Neil, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ECB Bancorp, Inc.;

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

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this repo fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as 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 anc procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to b 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 perioc which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this rep 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

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred (the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially aff 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 financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

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

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

Date: August 11, 2023 November 9, 2023

/s/Richard J. O'Neil, Jr.
Richard J. O'Neil, Jr.
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John A. Citrano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ECB Bancorp, Inc.;

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

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this repo fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as 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)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to b 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 which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this rep 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

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred d the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially aff 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 financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

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

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

Date: August 11, 2023 November 9, 2023

/s/John A. Citrano
John A. Citrano
Executive Vice President and Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Richard J. O'Neil, Jr., President and Chief Executive Officer of ECB Bancorp, Inc., (the "Company") and John A. Citrano, Executive Vice President and Chief Financial Officer of the Company, each certify in their capacity as an officer of the Company that they have reviewed the quarterly report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023 (the "Report") and that to the best of their knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and re of operations of the Company.

Date: August 11, 2023 November 9, 2023

/s/Richard J. O'Neil, Jr.
Richard J. O'Neil, Jr.
President and Chief Executive Officer

Date: August 11, 2023 November 9, 2023

/s/John A. Citrano

John A. Citrano

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

DISCLAIMER

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