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

FORM 10-K

(Mark one)

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

For the Fiscal Year Ended December 31, 2023

or

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

For the transition period from _____ to _____

Commission File Number: **001-40589**

NORTHEAST COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland	**86-3173858**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No)
325 Hamilton Avenue , White Plains , New York	**10601**
(Address of principal executive offices)	(Zip Code)

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

Securities Registered Pursuant to Section 12(b) of the Act:

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

Securities Registered Pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐ Yes ☒ No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2023 was $ 195.7 million. The number of shares outstanding of the registrant's common stock as of March 28, 2024 was 14,065,796 .

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

NORTHEAST COMMUNITY BANCORP, INC. AND SUBSIDIARIES

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements, which can be identified by the use of words such as "believes," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements include, but are not limited to:

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

These forward-looking statements are based on current beliefs and expectations of our management and are subject to significant risks and uncertainties. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- general economic conditions, either nationally or in our market area, that are worse than expected;
- changes in the interest rate environment that reduce our interest margins, reduce the fair value of financial instruments or reduce the demand for our loan products;
- higher inflation and its impact on national and local economic conditions;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and savings habits;
- changes in the quality and composition of our loan or investment portfolios;
- changes in real estate market values in our market area;
- a decrease in new construction in our primary market area;
- decreased demand for loan products, deposit flows, competition, or decreased demand for financial services in our market area;
- major catastrophes such as earthquakes, floods or other natural or human disasters and infectious disease outbreaks, the related disruption to local, regional and global economic activity and financial markets, and the impact that any of the foregoing may have on us and our customers and other constituencies;
- legislative or regulatory changes that adversely affect our business or changes in the monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board;
- technological changes that may be more difficult or expensive than expected;
- success or consummation of new business initiatives may be more difficult or expensive than expected;
- the inability to successfully integrate acquired businesses and financial institutions into our business operations;

- adverse changes in the securities markets;
- our inability to enter new markets successfully and capitalize on growth opportunities;
- changes in estimates of the adequacy of the allowance for credit losses;
- a failure or breach of our operational or security systems or infrastructure, including cyberattacks;
- the inability of third party service providers to perform; and
- changes in accounting policies and practices, as may be adopted by bank regulatory agencies or the Financial Accounting Standards Board.

Any of the forward-looking statements that we make in this report and in other public statements we make may later prove incorrect because of inaccurate assumptions, the factors illustrated above or other factors that we cannot foresee. Consequently, no forward-looking statement can be guaranteed. Except as required by applicable law or regulation, we do not undertake, and we specifically disclaim any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

Further information on other factors that could affect us are included in the section captioned *"Item 1A: Risk Factors."*

PART I

ITEM 1. BUSINESS

General

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

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

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

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

The Bank previously offered investment advisory and financial planning services under the name of Harbor West Wealth Management Group, a division of the Bank, through a networking arrangement with a registered broker-dealer and investment advisor. In December 2023, the Bank entered into an agreement to sell all of the Bank’s assets relating to Harbor West Wealth Management Group to a third party and the asset sale was completed in January 2024. The Bank no longer generates investment advisory fees following the completion of the transaction.

Our executive offices are located at 325 Hamilton Avenue, White Plains, New York 10601 and our telephone number is (914) 684-2500. Our website address is www.necb.com. Information on our website should not be considered a part of this report.

Throughout this report, references to “we,” “us” or “our” refer to the Company or the Bank, or both, as the context indicates.

Market Area

We are headquartered in White Plains, New York, which is located in Westchester County, and we operate through our main and annex offices in White Plains, two full-service branch offices in the New York City borough of Manhattan (New York County), one full-service branch office in the New York City borough of the Bronx (Bronx County), two full-service branch offices in Rockland County, New York, two full-service branch offices in Orange

County, New York, one full-service branch office in Sullivan County, New York, and three full-service branches in Danvers (Essex County), Framingham (Middlesex County) and Quincy (Norfolk County), Massachusetts, and loan production offices in White Plains, New York, New City, New York and Danvers, Massachusetts. We generate deposits through our main office and eleven branch offices. We conduct lending activities primarily in the State of New York, the Commonwealth of Massachusetts, and, to a lesser extent, in New Jersey. We also have a limited number of loans in Connecticut, a state in which we no longer originate loans.

Our construction loans originated in Orange, Rockland and Sullivan Counties in New York and Brooklyn (Kings County) are almost exclusively located within homogeneous communities that demonstrate significant population growth concentrated in well-defined existing, and newer expanding, communities. Construction loans originated in Bronx County are located in high demand, high absorption areas. These communities are substantially different from New York State and nationwide economic fluctuations and are considered to be high absorption areas, *i.e.*, where the demand for rental or purchase properties is far greater than available supply.

With respect to the markets in which we primarily originate non-construction loans, our market area includes a population base with a broad cross section of wealth, employment and ethnicity. We operate in markets that generally have experienced relatively slow demographic growth, a characteristic typical of mature urban markets located throughout the Northeast region. New York County is a relatively affluent market, reflecting the influence of Wall Street along with the presence of a broad spectrum of Fortune 500 companies. Comparatively, Bronx County is home to a broad socioeconomic spectrum, with a significant portion of the respective populations employed in relatively low and moderate wage blue collar jobs. Westchester and neighboring counties are affluent markets, serving as desired suburban locations for commuting into New York City and White Plains as well as reflecting growth of higher paying jobs in the counties.

The counties of Massachusetts in which the Danvers, Framingham, and Quincy offices currently operate include a mixture of rural, suburban and urban markets. The economies of these areas were historically based on manufacturing, but, similar to many areas of the country, the underpinnings of these economies are now more service oriented, with employment spread across many economic sectors including service, finance, health-care, technology, real estate and government.

While our New York and Massachusetts markets have different economic characteristics, our customer base in these states tends to be similar and is comprised mostly of owners of low- to moderate-income apartment buildings or non-residential real estate in low- to moderate-income areas.

We periodically evaluate our network of banking offices to optimize the penetration in our market area. Our business strategy currently includes opening new branches in and around our market area.

Competition

We face significant competition for the attraction of deposits and origination of loans. Our most direct competition for deposits and loans has historically come from the numerous national, regional and local community financial institutions operating in our market area, including a number of independent banks and credit unions, in addition to other financial service companies, such as brokerage firms and other similar entities. In addition, we face competition for investors' funds from money market funds and other corporate and government securities. Competition for loans also comes from the increasing number of non-depository financial service companies entering the commercial real estate or construction lending market, such as financial technology companies, securities companies and specialty finance companies.

We believe that our long-standing presence in our market areas in New York and Massachusetts, and our personal service philosophy enhance our ability to compete favorably in attracting and retaining individual and business customers. We actively solicit deposit-related customers and compete for deposits by offering customers personal attention, professional service, and competitive interest rates.

Lending Activities

We originate loans primarily for investment purposes. The largest segment of our loan portfolio is construction loans followed by multi-family real estate loans. We also originate mixed-use and non-residential real estate loans and commercial and industrial loans. We consider our lending territory to be the New York State/New York City Metropolitan area and the Massachusetts/Boston Metropolitan area. We also originate a limited number of loans in New Jersey. Although we no longer originate loans in Connecticut, we also have a limited number of loans in this state. At December 31, 2023, $1.4 billion, or 88.1%, of our portfolio was secured by loans in the New York State/New York Metropolitan Area, $159.2 million, or 10.0%, of our portfolio was secured by loans in the Massachusetts/Boston Metropolitan Area and $28.3 million, or 1.9%, of our portfolio was secured by loans in Connecticut and New Jersey.

Construction Loans. We have been originating construction loans secured by the construction of multi-family and single family properties in Massachusetts and by the construction primarily of multi-family, residential condominium properties, and occasionally non-residential properties located in New York State, primarily in Bronx, Orange, Rockland and Sullivan Counties, for more than a decade.

Since the latter part of 2013, we have primarily made construction loans to borrowers and developers who we know or who are referred to us by existing customers for construction in high absorption, homogeneous communities in our New York State market area. The demand for housing (whether for rent or for purchase) is far greater in these high absorption communities than the available supply. This lack of balance between supply and demand leads to available units being under contracts of sale or leases signed very soon after certificates of occupancy are received by the building owners. Generally, in homogeneous communities, units that are under construction have purchase contracts before they are complete.

We will make construction loans on condominium buildings, containing between two to more than 250 units or for single family homes and single family housing developments of as many as 400 homes, in each case in high absorption and/or homogeneous areas. For such loans, we do not offer permanent financing. We originate land acquisition and development loans whereby the land is ready to build with all permits in place or construction is “as of right.” We also originate occasional land loans to existing well established borrowers with the understanding the borrower will obtain all required permits prior to the borrower requesting a construction loan to develop the property.

Construction loans are typically for 18 to 36 month terms, pay interest only during that period, and are indexed to the prime rate plus a margin. All construction loans are underwritten on an “as is” basis and an “as completed” basis and must meet our normal loan to value ratio requirements. In addition, if construction loans are for condominiums, as a backstop, the project will be underwritten as if they will be rental properties.

We generally require the borrower to contribute 50% of the total raw land acquisition cost. If an existing structure is to be demolished, the loan to value ratio will be limited to 50% of the improved land value alone. To ensure sufficient construction funds are available for a project, we may elect to finance up to 100% of the construction costs, which includes a 10% contingency, in an amount not to exceed 70% of the “as complete” appraised value. We also require the borrower to submit various construction documentations, including but not necessarily limited to cost estimates, property surveys, approved building plans and specifications, and approved building permits. We generally require our borrowers to fund an interest reserve in advance. We do not fund interest reserves from the loan proceeds. As a project progresses and the borrower requests funds to continue the project, we require an independent consultant to inspect the project to verify that the work has been completed prior to disbursing the funds sought. We also obtain a title continuation update to confirm that no liens have been placed on the project. Inspections for the purpose of funding/advancing proceeds are conducted by one of our employees as well as by a third-party construction inspector approved by us.

Construction loans in Orange, Rockland and Sullivan Counties consist primarily of loans to construct contemporary town-house style condominium buildings and complexes containing from four to 250 units. Construction loans in Bronx County consist primarily of loans to construct affordable rental apartment buildings containing between ten and 50 or more apartments. Most buildings are granted real estate tax abatements under New York City’s former 421-A program or an equivalent program due to the affordable nature of the apartments in the buildings.

Our average construction loans range from $5.0 million to $10.0 million on buildings and complexes ranging from 20 to 40 units. We also lend on projects, completed in stages, of up to $45 million. For projects above $33 million, we generally partner with a participating bank from outside our market area.

We typically grant separate land and construction loans and occasionally site development loans secured by the project. At December 31, 2023, if we were to count land, construction and development loans as separate loans, our construction loan portfolio consisted of 560 loans totaling $1.7 billion in committed amount, comprised of outstanding disbursed balances of $1.2 billion and undisbursed loans in process of $486.3 million.

At December 31, 2023, if we were to combine land, construction and development loans as one loan on a project, our construction loan portfolio consisted of 322 loans totaling $1.7 billion in committed amount, comprised of outstanding disbursed balance of $1.2 billion and undisbursed loans in process of $486.3 million. At December 31, 2023, the construction loan portfolio was comprised primarily of 556 New York construction loans with $1.7 billion in committed amount, comprising of outstanding disbursed balances of $1.2 billion and undisbursed loans in process of $480.3 million.

All construction loans were performing according to their terms at December 31, 2023, except for two non-performing construction loans with an aggregate outstanding disbursed balance of $4.4 million secured by the same project located in the Bronx, New York. These two non-performing construction loans are in foreclosure.

If we were to combine land, construction and development loans as one loan on a project, the average loan size in our construction loan portfolio was $5.4 million in committed amount, comprised of outstanding disbursed balances of $3.8 million and undisbursed loans in process of $1.5 million at December 31, 2023.

Our largest outstanding construction loan at December 31, 2023 had a committed amount of $28.0 million, an outstanding balance of $27.0 million, and an undisbursed available balance of $959,000. This loan was performing in accordance with its terms at December 31, 2023 and is secured by the development of a multi-family building located in the Bronx, New York that will include 111 apartment units with a first floor community space.

Our largest committed construction loan project at December 31, 2023 was comprised of four loans with a total commitment of $43.6 million of which 50.0% of the commitment has been sold to another financial institution thereby reducing our committed portion to $21.8 million. Our portion of these construction loans had an outstanding balance of $17.4 million and an undisbursed available balance of $4.4 million at December 31, 2023 and was performing in accordance with its terms at December 31, 2023. These loans are secured by the development of a 160,000 square foot class A office building located in Monsey, New York.

At December 31, 2023, our largest outstanding credit relationship with one borrower totaled $47.1 million, comprising of four construction loans with $31.2 million in committed amount, three commercial and industrial lines of credit with $15.0 million in committed amount, and five stand-by letters of credit with $855,000 in committed amount. Of the $47.1 million in committed amount, $11.2 million of the commitment in construction loans has been sold to two other financial institutions thereby reducing our committed portion to $35.9 million. Our portion of these construction loans had an outstanding balance of $17.5 million and undisbursed loans in process of $2.5 million at December 31, 2023. The three commercial and industrial lines of credit had an outstanding balance of $2.9 million and undisbursed available balance of $12.1 million at December 31, 2023. The five stand-by letters of credit have not been drawn upon. All of these loans were performing in accordance with their terms at December 31, 2023.

At December 31, 2023, our largest outstanding committed construction loan relationship with one borrower totaled $37.6 million, comprising of four construction loans with $37.6 million in committed amount, an aggregate outstanding balance of $22.0 million, and undisbursed loans in process of $15.6 million. All of these loans were performing in accordance with their terms at December 31, 2023.

Commercial and Industrial Loans. We provide credit to commercial and industrial businesses that are located within our market area. We also provide commercial and industrial loans to real estate developers in the New York Metropolitan Area. Pursuant to our lending policy, we generally limit the aggregate of all loans and lines of credit (including unused commitments) to any one borrower to no more than 10% of our Tier 1 Capital. Our policy requires a guaranty of all owners of the borrower who own 20% or more of the business and we impose collateral requirements on our commercial and industrial loans.

Interest rates and payments on our commercial and industrial loans are typically indexed to the prime rate as published in the Wall Street Journal and adjusted as the prime rate changes. At December 31, 2023, the average balance of loans in our commercial and industrial loan portfolio was $639,000.

At December 31, 2023, the largest outstanding commercial and industrial loan was comprised of an unsecured line of credit with an outstanding balance of $10.0 million and no remaining available line of credit. This borrower also had one construction loan with an outstanding disbursed balance of $1.7 million with no remaining undisbursed available balance and two other commercial and industrial loans with aggregate outstanding balances of $1.3 million and remaining available line of credit of $750,000 at December 31, 2023.

At December 31, 2023, our largest outstanding commercial and industrial line of credit relationship with one borrower was comprised of two lines of credit totaling $20.0 million, with no outstanding balances and remaining available lines of credit totaling $20.0 million.

All the aforementioned commercial and industrial loans were performing according to their terms at December 31, 2023.

Multifamily and Mixed-Use Real Estate Loans. We offer adjustable-rate mortgage loans secured by multifamily and mixed-use real estate. These loans are comprised primarily of loans on moderate income apartment buildings located in our lending territory and include, loans on cooperative apartment buildings (in the New York area), and loans for Section 8 multifamily housing. In New York, most of the apartment buildings that we lend on are rent-stabilized or free market buildings. Mixed-use real estate loans are secured by properties that are intended for both residential and business use. We originate multifamily and mixed-use real estate loans in Massachusetts and, on a limited basis, in New Jersey.

We offer construction/renovation loans on multifamily and mixed-use rental properties in high absorption areas, dependent on vacancy rates in relation to borough or town averages. In recent years, except for Massachusetts, we have de-emphasized multifamily and mixed-use real estate lending as we have focused more on construction lending.

We have been originating multifamily and mixed-use real estate loans in the New York State/New York Metropolitan Area for 89 years. In the New York State/New York Metropolitan Area, our ability to continue to grow our portfolio is dependent on the continuation of our relationships with mortgage brokers, as the multifamily and mixed-use real estate loan market is primarily broker driven. We have longstanding relationships with mortgage brokers in the New York market area, who are familiar with our lending practices and our underwriting standards. We also deal directly with building owners throughout our lending area. At December 31, 2023, multifamily and mixed-use real estate loans to borrowers in the New York State/New York Metropolitan Area totaled $71.3 million.

In the Massachusetts/Boston Metropolitan Area, where we have also originated such loans, the primary source of mortgage loan originations are from personal contacts by our loan officer and referrals from existing customers. We generally retain for our portfolio all of the loans that we originate in Massachusetts. At December 31, 2023, multifamily and mixed-use real estate loans to borrowers in the Massachusetts/Boston Metropolitan Area totaled $151.2 million.

We originate a variety of adjustable-rate and balloon multifamily and mixed-use real estate loans. The adjustable-rate loans have fixed rates for a period of one, two, three and five years and then adjust every one, two, three or five years thereafter, based on the terms of the loan. Maturities on these loans can be up to 15 years, and typically they amortize over a 20 to 30-year period. Interest rates on our adjustable-rate loans are adjusted to a rate that equals the applicable one-, two-, three- or five-year Federal Home Loan Bank ("FHLB") of New York or FHLB of Boston advance rate plus a margin. The balloon loans have a maximum maturity of five years. The lifetime interest rate cap is five percentage points over the initial interest rate of the loan (four percentage points for loans with one-, two- and three-year terms). The typical multifamily or mixed-use real estate loan refinances within the first five-year period and, in doing so, generates prepayment penalties ranging from one to five points of the outstanding loan balance. Under our loan-refinancing program, borrowers who are current under the terms and conditions of their contractual obligations can apply to refinance their existing loans to the rates and terms then offered on new loans after the payment of their contractual prepayment penalties.

In making multifamily and mixed-use real estate loans, we primarily consider the net operating income generated by the real estate to support the debt service, the borrower's financial resources, the income level and managerial expertise of the borrower, the marketability of the property and our lending experience with the borrower. We typically require a personal guarantee of the borrower. We rate the property underlying the loan as Class A, B or C. Our current policy is to require a minimum debt service coverage ratio (the ratio of earnings after subtracting all operating expenses to debt service payments) of between 1.25x and 1.40x depending on the rating of the underlying property. The average multifamily loan debt-service coverage is 2.91x and the average loan-to-value ratio of our multifamily real estate loans is 31.2%. The average mixed-use real estate loan debt-service coverage is 2.95x and the average loan-to-value ratio of our mixed-use real estate loans is 38.6%. On multifamily and mixed-use real estate loans, our current policy is to finance up to 75% of the lesser of the appraised value or purchase price of the property securing the loan on purchases and refinances of Class A and B properties and up to 65% of the lesser of the appraised value or purchase price for properties that are rated Class C. Properties securing multifamily and mixed-use real estate loans are appraised by independent appraisers, inspected by us and generally require Phase 1 environmental surveys.

The majority of the multifamily real estate loans in our portfolio are secured by ten unit to 100 unit apartment buildings. At December 31, 2023, the majority of our mixed-use real estate loans are secured by properties that are at least 85% residential.

Loans secured by multifamily and mixed-use real estate generally have larger balances and involve a greater degree of risk than one- to four-family residential mortgage loans. Of primary concern in multifamily residential and mixed-use real estate lending is the borrower's credit-worthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income producing properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject, to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. In reaching a decision on whether to make a multifamily residential or mixed-use real estate loan, we consider the net operating income of the property, the borrower's expertise, credit history and profitability, and the value of the underlying property.

As of December 31, 2023, the largest outstanding multifamily real estate loan had a balance of $13.0 million and was performing according to its terms. This loan is secured by a 62-unit two building apartment complex located in Boston, Massachusetts.

Our largest mixed-use real estate loan had a balance of $4.1 million and was performing according to its terms at December 31, 2023. This loan is secured by a mixed-use building with eight apartment units and a ground floor restaurant commercial unit located in the West Village section of New York City. As of December 31, 2023, the average loan size in our multifamily and mixed-use portfolio was approximately $1.6 million.

***Non-Residential Real Estate Loans*.** Our non-residential real estate loans are generally secured by office buildings, medical facilities, and retail shopping centers that are primarily located within our lending area.

At December 31, 2023, our non-residential real estate loan portfolio was comprised mainly of $15.7 million of loans secured by properties in the New York State/New York Metropolitan Area, $3.9 million of loans secured by properties in the Massachusetts/Boston Metropolitan Area, and $1.5 million of loans secured by properties in Connecticut and New Jersey.

We have de-emphasized the origination of non-residential real estate loans in recent years as we began increasing our origination of construction loans and multifamily loans.

Our non-residential real estate loans are structured in a manner similar to our multifamily and mixed-use real estate loans, typically at a fixed rate of interest for three to five years and then a rate that adjusts every three to five years over the term of the loan, which is typically 15 years. Interest rates and payments on these loans generally are based on the one-, two-, three- or five-year FHLB of New York or FHLB of Boston advance rate plus a margin. The lifetime interest rate cap is five percentage points over the initial interest rate of the loan (four percentage points for loans with one-, two- and three-year terms). Loans are secured by first mortgages that generally do not exceed 75% of the property's appraised value. Properties securing non-residential real estate loans are appraised by independent appraisers and inspected by us.

We also charge prepayment penalties, with five points of the outstanding loan balance generally being charged on loans that refinance in the first year of the mortgage, scaling down to one point on loans that refinance in year five. These loans are typically repaid or the term extended before maturity, in which case a new rate is negotiated to meet market conditions and an extension of the loan is executed for a new term with a new amortization schedule. Our non-residential real estate loans tend to refinance within the first five-year period.

Our assessment of credit risk and our underwriting standards and procedures for non-residential real estate loans are similar to those applicable to our multifamily and mixed-use real estate loans. In reaching a decision on whether to make a non-residential real estate loan, we consider the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. In addition, with respect to rental properties, we will also consider the term of the lease and the credit quality of the tenants. We have generally required that the properties securing non-residential real estate loans have debt service coverage ratios (the ratio of earnings after subtracting all operating expenses to debt service payments) of between 1.25x and 1.40x. The average non-residential loan debt-service coverage ratio is 2.20x and the average loan-to-value ratio of our non-residential loans is 38.8%. Phase 1 environmental surveys are required for most loans and property inspections are required for all loans.

At December 31, 2023, we had $21.1 million in non-residential real estate loans outstanding, or 1.3% of total loans. At December 31, 2023, the largest outstanding non-residential real estate loan had an outstanding balance of $2.2 million and was performing in accordance with its terms. This loan is secured by three properties located in Brooklyn, New York consisting of a 17,850 square foot single story warehouse building, a 7,650 square foot single story bus maintenance garage, and a 0.39 acre paved parking lot. As of December 31, 2023, the average balance of loans in our non-residential loan portfolio was $621,000.

Consumer Loans. We offer personal loans, loans secured by savings accounts or certificates of deposit (share loans), and overdraft protection for checking accounts which is linked to statement savings accounts and has the ability to transfer funds from the statement savings account to the checking account when needed to cover overdrafts. We no longer offer the overdraft protection for checking accounts linked to statement savings accounts. We also consider any checking accounts with overdrawn balances as a consumer loan even though the customer typically deposits sufficient funds the next business day to cover the overdrawn balance.

At December 31, 2023, our portfolio of consumer loans was $1.2 million, or 0.08% of total loans, comprised primarily of checking accounts with overdrawn balances of $1.2 million and lines for overdraft protection with balances of $10,000.

Consumer loans may entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections depend on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws may limit the amount which can be recovered on such loans.

Originations, Purchase, Participations and Sales of Loans. Loan originations come from a number of sources. The primary source of loan originations are our in-house loan officers and referrals from customers and, to a much lesser extent, mortgage loan brokers and local realtors. Historically, we have primarily originated our own loans and retained them in our portfolio.

While in the past we purchased a limited number of participations from one financial institution that also serves high absorption areas in Brooklyn, New York, we currently do not have any purchased participation loan in our portfolio. We also purchased whole residential and non-residential mortgage loans from a Massachusetts financial institution during 2021. At December 31, 2023, these whole purchased loans totaled $2.4 million and were performing according to their terms.

We occasionally sell participations interests in construction loans we have originated in high absorption areas to other community banks in order to maintain compliance with our loans-to-one borrower limits. We have also historically sold participation interests in our construction loans to the Company and we may continue to do so in the future. At December 31, 2023, the Company held $14.1 million in participation interests in construction loans originated by the Bank. Through our loan participations, we and the other participating lenders generally share ratably in cash flows and points and fees and gains or losses that may result from a borrower's noncompliance with the contractual terms of the loan.

***Loan Approval Procedures and Authority*.** Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our board of directors and management.

All construction, multifamily, mixed use and nonresidential real estate loans and commercial and industrial loans must be approved by a unanimous vote of the members of the Loan Committee, which is composed of the Chairman and Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, and a Senior Vice President.

At each monthly meeting of the board of directors, the board reviews all commitments issued, regardless of size.

***Loans to One Borrower*.** Pursuant to New York law and federal banking regulations, the aggregate amount of loans that the Bank is permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of its capital, surplus fund and undivided profits (25% if the amount in excess of 15% is secured by "readily marketable collateral"). At December 31, 2023, based on the 15% limitation, the Bank's loans-to-one-borrower limit was approximately $38.3 million. On the same date, the Bank had no borrowers with outstanding balances in excess of this amount.

***Loan Commitments*.** We issue commitments for adjustable-rate mortgage loans conditioned upon the occurrence of certain events. Commitments to originate mortgage loans are legally binding agreements to lend to our customers and generally expire in 60 days.

***Delinquencies*.** When a borrower fails to make a required loan payment, we take a number of steps to have the borrower cure the delinquency and restore the loan to current status. We make initial contact with the borrower toward the end of the month when the payment is due and then again when loan becomes ten to 15 days past due. If payment is not received by the 30th day of delinquency, additional letters are sent and phone calls are made to the customer. When the loan becomes 60 days past due and if the borrower is unresponsive, we generally commence foreclosure proceedings against any real property that secures the loan or attempt to repossess any personal property that secures a commercial and industrial or consumer loan. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the property securing the loan generally is sold at foreclosure. We may consider loan workout arrangements with certain borrowers under certain circumstances. Management informs the board of directors on a monthly basis of the amount of loans delinquent more than 30 days, all loans in foreclosure and all foreclosed and repossessed property that we own.

Investment Activities

We have legal authority to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies and of state and municipal governments, municipal securities, deposits at the Federal Home Loan Bank of New York and certificates of deposit of federally insured institutions.

At December 31, 2023, our investment portfolio consisted primarily of mutual funds, residential mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae with stated final maturities of 10 years or more, and municipal securities with maturities of one years or more.

Our investment portfolio is primarily viewed as a source of liquidity. Our investment management policy is designed to provide adequate liquidity to meet any reasonable deposit outflows and any anticipated increase in the loan portfolio through conversion of secondary reserves to cash and to provide safety of principal and interest through investment in securities under limitations and restrictions prescribed in banking regulations. Consistent with liquidity and safety requirements, our policy is designed to generate a significant amount of stable income and to provide collateral for advances and repurchase agreements. The policy is also designed to serve as a counter-cyclical balance to earnings in that the investment portfolio will absorb funds when loan demand is low and will infuse funds when loan demand is high.

Deposit Activities and Other Sources of Funds

General. Deposits, borrowings and loan repayments are the major sources of our funds for lending and other investment activities. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions.

Deposit Accounts. The vast majority of our depositors are residents of the States of New York and Massachusetts. Deposits are obtained primarily from customers residing in or working in the communities in which our branches are located, and we rely on our long-standing relationships with our customers to retain these deposits. We also obtain deposits from our commercial and industrial and construction loan customers. These deposits tend to be a stable source of funds. We offer a broad selection of deposit instruments, including checking accounts, money market accounts, regular savings accounts, non-interest bearing demand accounts (such as checking accounts and certificates of deposits. Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit, and the interest rate among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, profitability to us, matching deposit and loan products and customer preferences and concerns. We generally review our deposit mix and pricing weekly. Our current strategy is to offer competitive rates, but not be the market leader in every type and maturity.

In addition, we utilize brokered, listing service and military deposits, which represent a viable and cost effective addition to our deposit gathering and maintenance strategy, often at a lower “all-in” cost when compared to our retail branch network. This strategy allows us to very effectively match the maturity of these deposits to the term of our construction loans, which make up a majority of the loans in our loan portfolio.

Borrowings. We may utilize advances from the Federal Home Loan Bank of New York to supplement our supply of lendable funds and to meet deposit withdrawal requirements. The Federal Home Loan Bank functions as a central reserve bank providing credit for member financial institutions. As a member, we are required to own capital stock in the Federal Home Loan Bank of New York and are authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities that are obligations of, or guaranteed by, the United States), provided certain standards related to credit-worthiness have been met. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution’s net worth or on the Federal Home Loan Bank’s assessment of the institution’s credit-worthiness. Under its current credit policies, the Federal Home Loan Bank generally limits advances to 25% of a member’s assets, and short-term borrowings of less than one year may not exceed 10% of the institution’s assets. The Federal Home Loan Bank determines specific lines of credit for each member institution. We had approximately $14.0 million of Federal Home Loan Bank advances outstanding at December 31, 2023. At December 31, 2023, we had the ability to borrow an additional $29.7 million from the Federal Home Loan Bank of New York.

The Federal Reserve Bank of New York (“FRBNY”) approved on August 30, 2023 the Bank’s eligibility to pledge loans under the Borrower-in-Custody program of the FRBNY thereby allowing the Bank to borrow from the Discount Window at the FRBNY. As of December 31, 2023, we had $50.0 million in FRBNY borrowings and an available borrowing limit of $865.1 million.

In addition, we are party to a loan agreement with Atlantic Community Bankers Bank under which we can borrow up to $8.0 million in short-term borrowings. There were no outstanding borrowings with Atlantic Community Bankers Bank at December 31, 2023.

Investment Advisory and Financial Planning Activities

The Bank previously offered investment advisory and financial planning service under the name Harbor West Wealth Management Group, a division of the Bank through a networking arrangement with a registered broker-dealer and investment advisor. However, in January 2024, the Bank sold all assets relating to the Harbor West Wealth Management Group to a third party and no longer directly offers wealth management services.

Regulation and Supervision

General

The Bank is a New York-chartered savings bank. The Bank's deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is subject to extensive regulation by the New York State Department of Financial Services, as its chartering agency, and by the FDIC, as its primary federal regulator. The Bank is required to file reports with, and is periodically examined by, the FDIC and the New York State Department of Financial Services concerning its activities and financial condition, and must obtain regulatory approvals prior to entering into certain transactions, including, but not limited to, mergers with or acquisitions of other financial institutions. The Bank is a member of the Federal Home Loan Bank of New York.

The regulation and supervision of the Bank establish a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of depositors and borrowers and, for purposes of the FDIC, the protection of the insurance fund. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate credit loss reserves for regulatory purposes.

The Bank has elected to be deemed a "savings association" under the Home Owners' Loan Act, as amended. As a result, the Company is a savings and loan holding company and is required to comply with the rules and regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") applicable to savings and loan holding companies. The Company is required to file certain reports with the Federal Reserve Board and is subject to examination by and the enforcement authority of the Federal Reserve Board. The Company is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in applicable laws or regulations, whether by the New York State Department of Financial Services, the FDIC, the Federal Reserve Board, the State of New York or Congress, could have a material adverse impact on the operations and financial performance of the Company and the Bank. In addition, the Company and the Bank will be affected by the monetary and fiscal policies of various agencies of the United States Government, including the Federal Reserve Board. In view of changing conditions in the national economy and in the money markets, it is impossible for management to accurately predict future changes in monetary policy or the effect of such changes on the business or financial condition of the Company and the Bank.

Set forth below is a brief description of material regulatory requirements that are applicable to the Bank and the Company. The description is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on the Bank and the Company.

Bank Regulation

New York Banking Law. The Bank derives its lending, investment, and other authority primarily from the applicable provisions of New York State banking law and the regulations of the New York State Department of Financial Services, as limited by FDIC regulations. Under these laws and regulations, banks, including the Bank, may invest in real estate mortgages, consumer and commercial loans, certain types of debt securities (including certain corporate debt securities, and obligations of federal, state, and local governments and agencies), certain types of corporate equity securities, and certain other assets.

Under New York State banking law, New York State-chartered stock form savings banks and commercial banks may declare and pay dividends out of their net profits, unless there is an impairment of capital. Approval of the

Superintendent is required if the total of all dividends declared by the bank in a calendar year would exceed the total of its net profits for that year combined with its retained net profits for the preceding two years, less prior dividends paid.

New York State banking law gives the Superintendent authority to issue an order to a New York State-chartered banking institution to appear and explain an apparent violation of law, to discontinue unauthorized or unsafe practices, and to keep prescribed books and accounts. Upon a finding by the New York State Department of Financial Services that any director, trustee, or officer of any banking organization has violated any law, or has continued unauthorized or unsafe practices in conducting the business of the banking organization after having been notified by the Superintendent to discontinue such practices, such director, trustee, or officer may be removed from office after notice and an opportunity to be heard. The Superintendent also has authority to appoint a conservator or a receiver for a savings or commercial bank under certain circumstances.

Capital Requirements. Federal regulations require FDIC-insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets ratio of 8%, and a Tier 1 capital to average assets leverage ratio of 4%.

For purposes of the regulatory capital requirements, common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for credit losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that made such an election regarding the treatment of accumulated other comprehensive income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). The Bank exercised the opt-out and therefore does not include AOCI in its regulatory capital determinations. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (such as recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one- to four-family residential mortgages, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement began being phased in starting on January 1, 2016 at 0.625% of risk-weighted assets and increased each year until fully implemented at 2.5% on January 1, 2019. At December 31, 2023, the Bank exceeded the fully phased in regulatory requirement for the capital conservation buffer.

The Economic Growth, Regulatory Relief, and Consumer Protection Act enacted in May 2018 required the federal banking agencies, including the FDIC, to establish for banks with assets of less than $10 billion of assets a community bank leverage ratio (the ratio of a bank's tangible equity capital to average total consolidated assets) of 8 to 10%. A qualifying community bank with capital meeting the specified requirements (including off balance sheet exposures of 25% or less of total assets and trading assets and liabilities of 5% or less of total assets) and electing to follow the alternative framework is considered to meet all applicable regulatory capital requirements including the risk-based requirements. The community bank leverage ratio was established at 9%, effective January 1, 2021. A qualifying bank may opt in and out of the community bank leverage ratio framework on its quarterly call report. A bank that ceases to meet any qualifying criteria is provided with a two-quarter grace period to comply with the community bank leverage ratio requirements or the general capital regulations by the federal regulators. As of December 31, 2023, the Bank had not elected the community bank leverage ratio alternative reporting framework.

The Federal Deposit Insurance Corporation Improvement Act required each federal banking agency to revise its risk-based capital standards for insured institutions to ensure that those standards take adequate account of interest-rate risk, concentration of credit risk, and the risk of nontraditional activities, as well as to reflect the actual performance and expected risk of loss on multifamily residential loans. The FDIC, along with the other federal banking agencies, adopted a regulation providing that the agencies will take into account the exposure of a bank's capital and economic value to changes in interest rate risk in assessing a bank's capital adequacy. The FDIC also has authority to establish individual minimum capital requirements in appropriate cases upon determination that an institution's capital level is, or is likely to become, inadequate in light of the particular circumstances.

Standards for Safety and Soundness. As required by statute, the federal banking agencies adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement safety and soundness standards. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, the internal audit system, credit underwriting, loan documentation, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. The agencies have also established standards for safeguarding customer information. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard.

Investments and Activities. Under federal law, all state-chartered banks insured by the FDIC have generally been limited to activities as principal and equity investments of the type and in the amount authorized for national banks, notwithstanding state law. The Federal Deposit Insurance Corporation Improvement Act and the FDIC permit exceptions to these limitations. For example, state-chartered banks may, with FDIC approval, continue to exercise grandfathered state authority to invest in common or preferred stocks listed on a national securities exchange and in the shares of an investment company registered under federal law. The maximum permissible investment is 100% of Tier 1 capital, as specified by the FDIC's regulations, or the maximum amount permitted by New York State banking law, whichever is less. Such grandfathering authority may be terminated upon the FDIC's determination that such investments pose a safety and soundness risk to the Bank or if the Bank converts its charter or undergoes a change in control. In addition, the FDIC is authorized to permit such institutions to engage in other state authorized activities or investments (other than non-subsidiary equity investments) that meet all applicable capital requirements if it is determined that such activities or investments do not pose a significant risk to the Deposit Insurance Fund.

Interstate Banking and Branching. Federal law permits well capitalized and well managed bank and savings and loan holding companies to acquire banks in any state, subject to Federal Reserve Board approval, certain concentration limits and other specified conditions. Interstate mergers of banks are also authorized, subject to regulatory approval and other specified conditions. In addition, amendments made by the Dodd-Frank Act permit banks to establish de novo branches on an interstate basis to the extent that branching is authorized by the law of the host state for the banks chartered by that state.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

The FDIC has adopted regulations to implement the prompt corrective action legislation. An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater.

An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%. As of December 31, 2023, the Bank was a “well capitalized” institution under FDIC regulations.

At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on the payment of dividends, and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. An undercapitalized bank’s compliance with a capital restoration plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5.0% of the institution’s total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an “undercapitalized” bank fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” “Significantly undercapitalized” banks must comply with one or more of a number of additional restrictions, including but not limited to an order by the FDIC to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. “Critically undercapitalized” institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

The previously referenced law establishing a “community bank leverage ratio” adjusted the referenced categories for qualifying institutions that opt into the alternative framework for regulatory capital requirements. Institutions that exceed the community bank leverage ratio are considered to have met the capital ratio requirements to be “well capitalized” for the agencies’ prompt corrective rules.

Transaction with Affiliates and Regulation W of the Federal Reserve Regulations. Transactions between banks and their affiliates are governed by federal law. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank or savings and loan holding company and any companies which are controlled by such parent holding company are affiliates of the bank (although subsidiaries of the bank itself, except financial subsidiaries, are generally not considered affiliates). Generally, Section 23A of the Federal Reserve Act and the Federal Reserve Board’s Regulation W limit the extent to which the bank or its subsidiaries may engage in “covered transactions” with any one affiliate to an amount equal to 10.0% of such institution’s capital stock and surplus, and with all such transactions with all affiliates to an amount equal to 20.0% of such institution’s capital stock and surplus. Section 23B applies to “covered transactions” as well as to certain other transactions and requires that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-affiliate. The term “covered transaction” includes the making of loans to, purchase of assets from, and issuance of a guarantee to an affiliate, and other similar transactions. Section 23B transactions also include the provision of services and the sale of assets by a bank to an affiliate. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act.

Sections 22(h) and (g) of the Federal Reserve Act place restrictions on loans to a bank’s insiders, *i.e.*, executive officers, directors and principal stockholders. Under Section 22(h) of the Federal Reserve Act, loans to a director, an executive officer and to a greater than 10.0% stockholder of a financial institution, and certain of their affiliated interests, together with all other outstanding loans to such persons and affiliated interests, may not exceed specified limits. Section 22(h) of the Federal Reserve Act also requires that loans to directors, executive officers and principal stockholders be made on terms and conditions substantially the same as offered in comparable transactions to persons who are not insiders and also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a financial institution to insiders cannot exceed the institution's unimpaired capital and surplus. Section 22(g) of the Federal Reserve Act places additional restrictions on loans to executive officers.

Enforcement. The FDIC has extensive enforcement authority over insured state-chartered savings banks, including the Bank. The enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations, breaches of fiduciary duty and unsafe or unsound practices.

Federal Insurance of Deposit Accounts. The Bank is a member of the Deposit Insurance Fund, which is administered by the FDIC. Deposit accounts in the Bank are insured up to a maximum of $250,000 for each separately insured depositor.

The FDIC imposes an assessment for deposit insurance on all depository institutions. Under the FDIC's risk-based assessment system, insured institutions are assigned to risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. An institution's assessment rate depends upon the category to which it is assigned and certain adjustments specified by FDIC regulations, with less risky institutions paying lower rates. Assessment rates (inclusive of possible adjustments) for most banks with less than $10 billion of assets currently range from 1 1⁄2 to 30 basis points of each institution's total assets less tangible capital. The FDIC may increase or decrease the scale uniformly, except that no adjustment can deviate more than two basis points from the base scale without notice and comment rulemaking. The FDIC's current system represents a change, required by the Dodd-Frank Act, from its prior practice of basing the assessment on an institution's volume of deposits.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC was required to seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of $10 billion or more were supposed to fund the increase. The FDIC indicated in November 2018 that the 1.35% ratio was exceeded. Insured institutions of less than $10 billion of assets received credits for the portion of their assessments that contributed to raising the reserve ratio between 1.15% and 1.35% effective when the fund rate achieves 1.38%. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC and the FDIC has exercised that discretion by establishing a long range fund ratio of 2%.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Future insurance assessment rates cannot be predicted.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule order or regulatory condition imposed in writing. We do not know of any practice, condition or violation that might lead to termination of deposit insurance.

Privacy Regulations. FDIC regulations generally require that the Bank disclose its privacy policy, including identifying with whom it shares a customer's "non-public personal information," to customers at the time of establishing the customer relationship and annually thereafter. In addition, the Bank is required to provide its customers with the ability to "opt-out" of having their personal information shared with unaffiliated third parties and not to disclose account numbers or access codes to non-affiliated third parties for marketing purposes. The Bank currently has a privacy protection policy in place and believes that such policy is in compliance with the regulations.

Community Reinvestment Act. Under the Community Reinvestment Act, or CRA, as implemented by FDIC regulations, a non-member bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA does require the FDIC, in connection with its examination of a non-member bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution, including applications to acquire branches and other financial institutions. The CRA requires the FDIC to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. The Bank's latest FDIC CRA rating was "Satisfactory".

On October 24, 2023, the FDIC, the OCC and the Federal Reserve issued a final rule amending the agencies' CRA regulations. The final rule (i) encourages banks to expand access to credit, investment and banking services in low- and moderate-income communities, (ii) adapts to changes in the banking industry, including mobile and online banking, (iii) provides greater clarity and consistency in the application of CRA regulations and (iv) tailors CRA evaluations and data collection to bank size and type. Under the final rule, the agencies will evaluate bank performance across the varied activities they conduct and communities in which they operate so that the CRA continues to be an effective tool to address inequities in access to credit and financial services. The final rule also updates existing CRA regulations to evaluate lending outside traditional assessment areas generated by the growth of non-branch delivery systems, such as online and mobile banking, branchless banking, and hybrid models. In addition, the final rule implements a new metrics-based approach to evaluating bank retail lending and community development financing, using benchmarks based on peer and demographic data. Most of the final rule's requirements will become effective beginning on January 1, 2026 and the remaining requirements, including the final rule's data reporting requirements, will become effective on January 1, 2027.

The Bank is also subject to provisions of the New York State banking law which imposes continuing and affirmative obligations upon banking institutions organized in New York State to serve the credit needs of its local community (the "NYCRA") which are substantially similar to those imposed by the federal CRA. Pursuant to the NYCRA, a bank must file copies of all federal CRA reports with the New York State Department of Financial Services. The NYCRA requires the New York State Department of Financial Services to make a written assessment of a bank's compliance with the NYCRA every 24 to 36 months, utilizing a four-tiered rating system and make such assessment available to the public. The NYCRA also requires the Superintendent to consider a bank's NYCRA rating when reviewing a bank's application to engage in certain transactions, including mergers, asset purchases and the establishment of branch offices or automated teller machines, and provides that such assessment may serve as a basis for the denial of any such application. The Bank's latest NYCRA rating was "Outstanding".

Consumer Protection and Fair Lending Regulations. New York savings banks are subject to a variety of federal statutes and regulations that are intended to protect consumers and prohibit discrimination in the granting of credit. These statutes and regulations provide for a range of sanctions for non-compliance with their terms, including imposition of administrative fines and remedial orders, and referral to the Attorney General for prosecution of a civil action for actual and punitive damages and injunctive relief. Certain of these statutes authorize private individual and class action lawsuits and the award of actual, statutory and punitive damages and attorneys' fees for certain types of violations.

USA PATRIOT Act. The Bank is subject to the USA PATRIOT Act, which gave federal agencies additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA PATRIOT Act provided measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents, and parties registered under the Commodity Exchange Act.

Other Regulations. Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to state and federal laws applicable to credit transactions, such as the:

- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies; and
- Rules and regulations of the various federal and state agencies charged with the responsibility of implementing such federal and state laws.

The deposit operations of the Bank also are subject to, among others, the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Check Clearing for the 21st Century Act (also known as “Check 21”), which gives “substitute checks,” such as digital check images and copies made from that image, the same legal standing as the original paper check; and
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers’ rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Federal Reserve System. The Federal Reserve Act authorizes the Federal Reserve Board to require depository associations to maintain noninterest-earning reserves against their transaction accounts (primarily negotiable order of withdrawal and regular checking accounts). The amounts are adjusted annually and, for 2019, the regulations provided that reserves be maintained against aggregate transaction accounts as follows: a 3% reserve ratio is assessed on net transaction accounts up to and including $127.5 million; and a 10% reserve ratio is applied above $127.5 million. The first $16.9 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) were exempted from the reserve requirements. The Bank complied with the foregoing requirements during 2019. On March 15, 2020, the Federal Reserve Board reduced reserve requirement to 0% effective as of March 26, 2020, which eliminated reserve requirements for all depository institutions.

Federal Home Loan Bank System. The Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank provides a central credit facility primarily for member institutions. At December 31, 2023, the Bank had a maximum borrowing capacity from the Federal Home Loan Bank of New York of $43.7 million comprising of $29.7 million in available borrowings and $14.0 million in outstanding borrowings. The Bank, as a member of the Federal Home Loan Bank of New York, is required to acquire and hold shares of capital stock in that Federal Home Loan Bank. The Bank was in compliance with requirements for the Federal Home Loan Bank of New York with an investment of $859,000 at December 31, 2023.

Holding Company Regulation

As a savings and loan holding company, the Company is subject to Federal Reserve Board regulations, examinations, supervision, reporting requirements and regulations regarding its activities. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the Bank.

Pursuant to federal law and regulations and policy, a savings and loan holding company such as the Company may generally engage in the activities permitted for financial holding companies under Section 4(k) of the Bank Holding Company Act and certain other activities that have been authorized for savings and loan holding companies by regulation.

Federal law prohibits a savings and loan holding company from, directly or indirectly or through one or more subsidiaries, acquiring more than 5% of the voting stock of another savings association, or savings and loan holding company thereof, without prior written approval of the Federal Reserve Board or from acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary holding company or savings association. A savings and loan holding company is also prohibited from acquiring more than 5% of a company engaged in activities other than those authorized by federal law or acquiring or retaining control of a depository institution that is not insured by the FDIC. In evaluating applications by holding companies to acquire savings associations, the Federal Reserve Board must consider the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the insurance funds the convenience and needs of the community and competitive factors.

The Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings associations in more than one state, except: (i) the approval of interstate supervisory acquisitions by savings and loan holding companies; and (ii) the acquisition of a savings association in another state if the laws of the state of the target savings association specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Capital Requirements. The Company is subject to the Federal Reserve Board's capital adequacy guidelines for savings and loan holding companies (on a consolidated basis) which have historically been similar to, though less stringent than, those of the FDIC for the Bank. The Dodd-Frank Act, however, required the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Consolidated regulatory capital requirements identical to those applicable to the subsidiary banks apply to savings and loan holding companies; as is the case with institutions themselves, the capital conservation buffer was phased in between 2016 and 2019. However, the Federal Reserve Board has provided a "small bank holding company" exception to its consolidated capital requirements, and legislation and the related issuance of regulations by the Federal Reserve Board has increased the threshold for the exception to $3.0 billion. As a result, the Company is not be subject to the capital requirement until such time as its consolidated assets exceed $3.0 billion.

Source of Strength. The Dodd-Frank Act also extends the "source of strength" doctrine to savings and loan holding companies. The regulatory agencies must promulgate regulations implementing the "source of strength" policy that holding companies act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Dividends and Stock Repurchases. The Federal Reserve Board has the power to prohibit dividends by savings and loan holding companies if their actions constitute unsafe or unsound practices. The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank and savings and loan holding companies, which expresses the Federal Reserve Board's view that a holding company should pay cash dividends only to the extent that the company's net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the company's capital needs, asset quality and overall financial condition. The Federal Reserve Board also indicated that it would be inappropriate for a holding company experiencing serious financial problems to borrow funds to pay dividends. Under the prompt corrective action regulations, the Federal Reserve Board may prohibit a bank or savings and holding company from paying any dividends if the holding company's bank subsidiary is classified as "undercapitalized."

Federal Reserve Board policy also provides that a holding company should inform the Federal Reserve Board supervisory staff prior to redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, as of the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred.

Acquisition of the Company. Under the Federal Change in Bank Control Act, a notice must be submitted to the Federal Reserve Board if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a savings and loan holding company or savings association. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the outstanding voting stock of the company or institution, unless the Federal Reserve Board has found that the acquisition will not result in a change of control. Under the Change in Control Act, the Federal Reserve Board generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that acquires control would then be subject to regulation as a savings and loan holding company.

Federal Securities Laws. The Company's common stock is registered with the Securities and Exchange Commission and, as a result, the Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. We have policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

Change in Control Regulations. Under the Change in Bank Control Act, no person, or group of persons acting in concert, may acquire control of a savings and loan holding company such as the Company unless the Federal Reserve Board has been given 60 days' prior written notice and not disapproved the proposed acquisition. The Federal Reserve Board considers several factors in evaluating a notice, including the financial and managerial resources of the acquirer and competitive effects. Control, as defined under the applicable regulations, means the power, directly or indirectly, to direct the management or policies of the company or to vote 25% or more of any class of voting securities of the company. Acquisition of more than 10% of any class of a savings and loan holding company's voting securities constitutes a rebuttable presumption of control under certain circumstances, including where, as in the case of the Company, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

In addition, federal regulations provide that no company may acquire control of a savings and loan holding company without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination and regulation by the Federal Reserve Board.

Emerging Growth Company Status

The Company is an emerging growth company and, for so long as it continues to be an emerging growth company, the Company may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, the Company is not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Such an election is irrevocable during the period a company is an emerging growth company. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

The Company will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the completion of the Company's second-step conversion and offering, which occurred on July 12, 2021; (ii) the first fiscal year after our annual gross revenues are $1.1 billion (adjusted for inflation) or more; (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million at the end of the second quarter of that fiscal year.

Personnel

At December 31, 2023, we had 135 full-time employees and six part-time employees, none of whom are represented by a collective bargaining unit. We believe our relationship with our employees is good.

Subsidiaries

The Company's only direct subsidiary is the Bank. The Bank maintains the following subsidiaries:

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

NECB Financial Services Group, LLC, a New York limited liability company and wholly owned subsidiary of the Bank, was formed in the third quarter of 2012 as a complement to Harbor West Wealth Management Group to sell life insurance and fixed rate annuities. NECB Financial Services Group, LLC is licensed in New York State. We terminated our license in Connecticut on February 22, 2024 due to the sale of all the Bank's assets relating to Harbor West Wealth Management Group to a third party in January 2024.

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

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

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

Executive Officers

Our executive officers are elected annually by the board of directors and serve at the board's discretion. The following individuals currently serve as our executive officers:

Name	Position
Kenneth A. Martinek	Chairman and Chief Executive Officer
Jose M. Collazo	President and Chief Operating Officer
Donald S. Hom	Executive Vice President and Chief Financial Officer

Below is information regarding our executive officer who is not also a director. Mr. Hom has held his current position for the period indicated below. Age presented is as of December 31, 2023.

Donald S. Hom joined the Company and the Bank in 2007, serving as Chief Financial Officer since 2013. Prior to joining the Company and the Bank, Mr. Hom served for 23 years as a bank examiner and financial analyst for a Federal banking regulatory agency and six years as the chief executive officer of a New Jersey community bank. Age 69.

Item 1A. RISK FACTORS

Investing in the Company's common stock involves risks. The investor should carefully consider the following risk factors before deciding to make an investment decision regarding the Company's stock. The risk factors may cause future earnings to be lower or the financial condition to be less favorable than expected. In addition, other risks that the Company is not aware of, or which are not believed to be material, may cause earnings to be lower, or may deteriorate the financial condition of the Company. Consideration should also be given to the other information in this Annual Report on Form 10-K, as well as in the documents incorporated by reference into this Form 10-K.

Risks Related to Our Lending Activities

Our emphasis on construction lending involves risks that could adversely affect our financial condition and results of operations.

In recent years, we have shifted our loan originations to focus primarily on construction loans, while continuing to originate a limited number of commercial and industrial loans, multifamily, mixed-use and non-residential real estate loans. We expect this focus to continue given the needs of the communities we serve in the New York Metropolitan Area. Our construction loan portfolio has increased to $1.2 billion, net of loans-in-process of $486.3 million, or 76.9% of total loans, at December 31, 2023 from $251.0 million, net of loans-in-process of $145.8 million, or 39.8% of total loans, at December 31, 2016. As a result, our credit risk profile may be higher than traditional community banks that have higher concentrations of one- to four-family residential loans and other real estate-based loans.

Construction lending involves additional risks when compared to one- to four-family residential real estate lending because funds are advanced upon the security of the project, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. This type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. For construction loans we originate, we require our borrowers to fund an interest reserve account in advance.

Our portfolio of multifamily residential, mixed-use and non-residential real estate lending could expose us to increased lending risks.

At December 31, 2023, $249.7 million, or 15.8%, of our loan portfolio consisted of multifamily, mixed-use and non-residential real estate loans. As a result, our credit risk profile is generally higher than traditional thrift institutions that have higher concentrations of one- to four-family residential loans.

Loans secured by multifamily and mixed-use and non-residential real estate generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the underlying property, which can be significantly affected by conditions in the real estate markets or in the economy. For example, if the cash flows from the borrower's project is reduced as a result of leases not being obtained or renewed, the borrower's ability to repay the loan may be impaired. In addition, such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Accordingly, an adverse development with respect to one loan or one credit relationship can expose us to greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. We seek to minimize these risks through our underwriting policies, which require such loans to be qualified on the basis of the property's net income and debt service ratio; however, there is no assurance that our underwriting policies will protect us from credit-related losses.

Further, if we foreclose on a multifamily, mixed-use or non-residential real estate loan, our holding period for the collateral may be longer than for one- to four-family residential mortgage loans because there may be fewer potential purchasers of the collateral, which can result in substantial holding costs. In addition, vacancies, deferred maintenance, repairs and market stigma can result in prospective buyers expecting sale price concessions to offset their real or perceived economic losses for the time it takes them to return the property to profitability.

Imposition of limits by the bank regulators on construction and multifamily, mixed-use and nonresidential real estate lending activities could curtail our growth and adversely affect our earnings.

In 2006, the Office of the Comptroller of the Currency, the FDIC and the Board of Governors of the Federal Reserve System (collectively, the "Agencies") issued joint guidance entitled "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" (the "CRE Guidance"). Although the CRE Guidance did not establish specific lending limits, it provides that a bank's commercial real estate lending exposure could receive increased supervisory scrutiny where total non-owner-occupied commercial real estate loans, including loans secured by apartment buildings, investor commercial real estate, and construction and land loans, represent 300% or more of an institution's total risk-based capital, and the outstanding balance of the commercial real estate loan portfolio has increased by 50% or more during the preceding 36 months. Construction loans represented 478% of the Bank's total risk-based capital at December 31, 2023, and our multifamily, mixed-use and nonresidential real estate loan portfolio represented 98% of the Bank's total risk-based capital on that same date.

In December 2015, the Agencies released a new statement on prudent risk management for commercial real estate lending (the "2015 Statement"). In the 2015 Statement, the Agencies, among other things, indicate the intent to continue "to pay special attention" to commercial real estate lending activities and concentrations going forward. If the FDIC, our primary federal regulator, were to impose restrictions on the amount of such loans we can hold in our portfolio or require us to implement additional compliance measures, for reasons noted above or otherwise, our earnings would be adversely affected as would our earnings per share.

We monitor our concentration limits with respect to our construction, multifamily, mixed-use and non-residential real estate loans closely and have implemented various risk management practices to manage our exposure for such loans. See *"Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Management of Credit Risk."*

Our portfolio of commercial and industrial loans may expose us to increased lending risks.

At December 31, 2023, $111.1 million, or 7.0%, of our loan portfolio consisted of commercial and industrial loans. Commercial and industrial loans generally expose a lender to a greater risk of loss than one- to four-family residential loans. Repayment of commercial and industrial loans generally is dependent, in large part, on sufficient income from the business to cover operating expenses and debt service. In addition, to the extent that borrowers have more than one commercial loan outstanding, an adverse development with respect to one loan or one credit relationship could expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential real estate loan.

Further, unlike residential mortgages or multifamily, mixed-use and non-residential real estate loans, commercial and industrial loans may be secured by collateral other than real estate, such as inventory and accounts receivable, the value of which may be more difficult to appraise and may be more susceptible to fluctuation in value at default. We seek to minimize the risks involved in commercial and industrial lending: by underwriting such loans on the basis of the cash flows produced by the business; by requiring that such loans be collateralized by various business assets, including inventory, equipment, and accounts receivable, among others; and by requiring personal guarantees, whenever possible. However, the capacity of a borrower to repay a commercial and industrial loan is substantially dependent on the degree to which his or her business is successful. In addition, the collateral underlying such loans may depreciate over time, may not be conducive to appraisal, or may fluctuate in value, based upon the business' results.

If our allowance for credit losses - loans is not sufficient to cover actual loan losses, our results of operations would be negatively affected.

In determining the amount of the allowance for credit losses - loans, we analyze, among other things, our loss and delinquency experience by portfolio segments, the debt service ratios and loan-to-value ratios of each segment of our portfolio, and the effect of existing economic conditions. In addition, we make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. If the actual results are different from our estimates, or our analyses are inaccurate, our allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance and would decrease our net income. Our emphasis on loan growth, as well as any future credit deterioration, will require us to increase our allowance further in the future.

In addition, our banking regulators periodically review our allowance for credit losses – loans and could require us to increase our provision for credit losses. Any increase in our allowance for credit losses or credit charge-offs resulting from these regulatory reviews may have a material adverse effect on our results of operations and financial condition.

The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in our primary market area.

Our loan portfolio is concentrated in construction loans and multifamily, mixed-use and non-residential real estate loans primarily located in the New York Metropolitan Area, including the Mid-Hudson Region, and the Boston Metropolitan Area. Our construction loans are primarily located in Orange, Rockland and Sullivan Counties in New York and the Bronx (Bronx County). The construction loans are almost exclusively located within homogeneous communities that demonstrate significant population growth concentrated in well-defined existing, and newer expanding, communities. Construction loans originated in Bronx County are also located in high demand, high absorption areas.

At December 31, 2023, $1.1 billion, or 92.4% of our construction loan portfolio and 76.7% of our loan portfolio, represented loans made in high absorption areas of these four counties of New York. This may make us vulnerable to a downturn in the local economy and real estate markets and to a decrease in new construction in these counties. Adverse conditions in the local economy such as unemployment, recession, a catastrophic event or other factors beyond our control could impact the ability of our borrowers to repay their loans, which could impact our net interest income. Decreases in local real estate values caused by economic conditions, changes in tax laws or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Further, deterioration in local economic conditions could necessitate an increase in our provision for credit losses and a resulting reduction to our earnings and capital.

Economic conditions could result in increases in our level of non-performing loans and/or reduce demand for our products and services, which could have an adverse effect on our results of operations.

Deteriorating economic conditions could affect the markets in which we do business, the value of our loans and investment securities, and our ongoing operations, costs and profitability. Further, declines in real estate values and new construction and elevated unemployment levels may result in higher loan delinquencies, increases in our non-performing and classified assets and a decline in demand for our products and services. These events may cause us to incur losses and may adversely affect our financial condition and results of operations. To the extent that we must work through the resolution of assets, economic problems may cause us to incur losses and adversely affect our capital, liquidity, and financial condition.

Strong competition within our market area may limit our growth and profitability.

Competition is intense within the banking and financial services industry, particularly in our New York and Massachusetts markets. Our construction loans are primarily originated in high absorption areas within Bronx, Orange, Rockland and Sullivan Counties in New York. Competition for constructions loans in these high absorption areas comes from commercial banks, savings institutions and credit unions operating in the Metropolitan New York area and nationwide. Competition for construction loans also comes from the increasing number of non-depository financial service companies entering the commercial real estate or construction lending market, such as financial technology companies, securities companies and specialty finance companies.

We also originate non-construction loans, including multi-family, commercial and industrial loans, throughout our primary lending markets in New York and Massachusetts. Competition for non-construction loans comes from the numerous national, regional and local community financial institutions operating in our market area, including a number of independent banks and credit unions, in addition to other financial service companies, such as brokerage firms and other similar entities. In addition, we also face competition for investors' funds from money market funds and other corporate and government securities. Many of these competitors have substantially greater resources, higher lending limits and offer services that we do not or cannot provide. This competition could make it difficult for us to originate new loans and attract new deposits. While we believe that our long-standing presence in our market areas in New York and Massachusetts, and our personal service philosophy enhance our ability to compete favorably in attracting and retaining individual and business customers, price competition for loans may result in originating fewer loans, or earning less on our loans and price competition for deposits may result in a reduction of our deposit base of paying more on deposits.

Risks Related to Our Operations

Our reliance on brokered deposits, military deposits and deposits from listing services could adversely affect our liquidity and operating results.

Among other sources of funds, we rely on brokered deposits as well as military deposits and deposits obtained from listing services to provide funds with which to make loans and provide other liquidity needed. At December 31, 2023, brokered deposits, military deposits and deposits obtained through listing services totaled $361.4 million, or 25.8% of total deposits, of which brokered deposits represents $311.2 million or 22.2% of total deposits.

Generally, these deposits may not be as stable as other types of deposits. In the future, these depositors may not replace their deposits with us as they mature, or we may have to pay a higher rate of interest to keep those deposits or to replace them with other deposits or sources of funds. Not being able to maintain or replace these deposits as they mature could affect our liquidity. Paying higher deposit rates to maintain or replace these types of deposits could adversely affect our net interest margin and operating results.

We face a risk of non-compliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “PATRIOT Act”) and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and have engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. Federal and state bank regulators also are focused on compliance with Bank Secrecy Act and anti-money laundering regulations. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and inability to obtain regulatory approvals to proceed with certain aspects of our business plan, including acquisitions, which would negatively impact our business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

Because the nature of the financial services business involves a high volume of transactions, we face significant operational risks.

We rely on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or third parties, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of our internal control systems and compliance requirements, and ineffective business continuation and disaster recovery policies and procedures. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of non-compliance with applicable regulations, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. A breakdown in our internal control systems, improper operation of our systems or improper employee actions could result in material financial loss to us, the imposition of regulatory action, and damage to our reputation.

Risks Related to Our Growth Strategy

The building of market share through our branch office strategy, and our ability to achieve profitability on new branch offices, may increase our expenses and negatively affect our earnings.

We believe there are branch expansion opportunities within our primary market area and adjacent markets, and will seek to grow our lending and deposit base by adding branches to our existing ten-branch network. There are considerable costs involved in opening branch offices, especially in light of the capabilities needed to compete in today's environment. Moreover, new branch offices generally require a period of time to generate sufficient revenues to offset their costs, especially in areas in which we do not have an established presence. Accordingly, new branch offices could negatively impact our earnings and may do so for some period of time. Our investments in new branches, and the related personnel required to operate such branches, take time to earn returns and can be expected to negatively impact our earnings for the foreseeable future. The profitability of our expansion strategy will depend on whether the income that we generate from the new branch offices will offset the increased expenses resulting from establishing and operating these branch offices.

Risks Related to Our Business and Industry Generally

Changes in interest rates may hurt our profits and asset values and our strategies for managing interest rate risk may not be effective.

We are subject to significant interest rate risk as a financial institution. Our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets. Changes in the general level of interest rates can affect our net interest income by affecting the difference between the weighted-average yield earned on our interest-earning assets and the weighted-average rate paid on our interest-bearing liabilities, or interest rate spread, and the average life of our interest-earning assets and interest-bearing liabilities. Changes in interest rates also can affect: (1) our ability to originate loans; (2) the value of our interest-earning assets and our ability to realize gains from the sale of such assets; (3) our ability to obtain and retain deposits in competition with other available investment alternatives; and (4) the ability of our borrowers to repay their loans, particularly adjustable or variable rate loans. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions and other factors beyond our control.

Ineffective liquidity management could adversely affect our financial results and condition.

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities/withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and other unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans and operations are concentrated or difficult credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a majority of our liabilities are checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

Financial challenges at other banking institutions could lead to depositor concerns that spread within the banking industry causing disruptive and destabilizing deposit outflows.

In March 2023, Silicon Valley Bank and Signature Bank experienced large deposit outflows coupled with insufficient liquidity to meet withdrawal demands, resulting in the institutions being placed into FDIC receivership. Additionally, in May 2023, First Republic Bank experienced similar circumstances which resulted in the institution being placed in FDIC receivership. In the aftermath of these events, there has been substantial market disruption and concerns that diminished depositor confidence could spread across the banking industry, leading to deposit outflows that could destabilize other institutions. To strengthen public confidence in the banking system, the FDIC took action to protect funds held in uninsured deposit accounts at Silicon Valley Bank and Signature Bank following the placement of those institutions into receivership. However, the FDIC has not committed to protecting uninsured deposits in other institutions that experience outsized withdrawal demands. To further bolster the banking system, the Federal Reserve Board created a new Bank Term Funding Program to provide an additional source of liquidity. At December 31, 2023, we had uninsured deposits totaling $344.8 million and $102.7 million in available liquidity, including $68.7 million in cash, as well as $865.1 million in borrowing capacity at the FRBNY which was sufficient to cover our uninsured deposits. Notwithstanding our significant liquidity, large deposit outflows could adversely affect our financial condition and results of operations and could result in the closure of the Bank. Furthermore, the recent bank failures may result in strengthening of capital and liquidity rules which, if the revised rules apply to us, could adversely affect our financial condition and results of operations.

Economic, social and political conditions or civil unrest in the United States may affect the markets in which we operate, our customers, our ability to provide customer service, and could have a material adverse impact on our business, results of operations, or financial condition.

Our business may be adversely affected by instability, disruption or destruction in the markets in which we operate, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest, and natural or man-made disasters, including storm or other events beyond our control, such as pandemics and civil unrest. Such events can increase levels of political and economic unpredictability, result in property damage and business closures within in our markets and increase the volatility of the financial markets. Any of these effects could have a material and adverse impact on our business and results of operations. These events also pose significant risks to our personnel and to physical facilities, transportation and operations, which could adversely affect our financial results.

Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance ("ESG") practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

We depend on our management team to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We depend upon the services of the members of our senior management team who direct our strategy and operations. Our executive officers and lending personnel possess expertise in our markets and key business relationships, and the loss of any one of them could be difficult to replace. Our loss of one or more of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets.

We are a community bank and our ability to maintain our reputation is critical to the success of our business. The failure to do so may adversely affect our performance.

We are a community bank and our reputation is one of the most valuable assets of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in an honorable manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and communities. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers or otherwise, our business and operating results may be materially adversely affected.

We are dependent on our information technology and telecommunications systems and third-party service providers; systems failures, interruptions and cybersecurity breaches could have a material adverse effect on us.

Our business is dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us.

Our third-party service providers may be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We likely will expend additional resources to protect against the threat of such security breaches and computer viruses, or to alleviate problems caused by such security breaches or viruses. To the extent that the activities of our third-party service providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation costs and other possible liabilities.

Security breaches and cybersecurity threats could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our customers and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. We, our customers, and other financial institutions with which we interact, are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state-sponsored organizations.

While we have established policies and procedures to prevent or limit the impact of cyber-attacks, there can be no assurance that such events will not occur or will be adequately addressed if they do. In addition, we also outsource certain cybersecurity functions, such as penetration testing, to third party service providers, and the failure of these service providers to adequately perform such functions could increase our exposure to security breaches and cybersecurity threats. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other malicious code and cyber-attacks that could have an impact on information security. Any such breach or attacks could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such unauthorized access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties; disrupt our operations and the services we provide to customers; damage our reputation; and cause a loss of confidence in our products and services, all of which could adversely affect our financial condition and results of operations.

We must keep pace with technological change to remain competitive.

Financial products and services have become increasingly technology-driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on the ability to keep pace with technological advances and to invest in new technology as it becomes available, as well as related essential personnel. In addition, technology has lowered barriers to entry into the financial services market and made it possible for financial technology companies and other non-bank entities to offer financial products and services traditionally provided by banks. The ability to keep pace with technological change is important, and the failure to do so, due to cost, proficiency or otherwise, could have a material adverse impact on our business and therefore on our financial condition and results of operations.

Acts of terrorism and other external events could impact our business.

Financial institutions have been, and continue to be, targets of terrorist threats aimed at compromising operating and communication systems. Such events could cause significant damage, impact the stability of our facilities and result in additional expenses, impair the ability of our borrowers to repay their loans, reduce the value of collateral securing repayment of our loans, and result in the loss of revenue. The occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

Regulation of the financial services industry is intense, and we may be adversely affected by changes in laws and regulations.

The Bank is subject to extensive regulation, supervision and examination by the FDIC and the New York State Department of Financial Services. In addition, the Company is subject to extensive regulation, supervision and examination by the Federal Reserve Board and the New York State Department of Financial Services. Such regulation, supervision and examination govern the activities in which we may engage, and are intended primarily for the protection of the deposit insurance fund and the Bank’s depositors and not for the protection of our stockholders. Federal and state regulatory agencies have the ability to take supervisory actions against financial institutions that have experienced increased loan losses and exhibit underwriting or other compliance weaknesses. These actions include the entering into of formal or informal written agreements and cease and desist orders that may place certain limitations on their operations. If we were to become subject to a regulatory action, such action could negatively impact our ability to execute our business plan, and result in operational restrictions, as well as our ability to grow, pay dividends, repurchase stock or engage in mergers and acquisitions. See “*Item 1: Business — Regulation and Supervision — Bank Regulation — Capital Requirements”* for a discussion of regulatory capital requirements.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

The Company is an emerging growth company and, for so long as it continues to be an emerging growth company, the Company may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, the Company also is not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that its independent auditors review and attest as to the effectiveness of its internal control over financial reporting. We have also elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards. Investors may find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Our information security program is managed by a dedicated Chief Information Officer, whose team is responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture, and processes. The Chief

Information Officer provides periodic reports to our Board of Directors, as well as our Chief Executive Officer and other members of our senior management as appropriate. These reports include updates on the Company's cyber risks and threats, the status of projects to strengthen our information security systems, assessments of the information security program, and the emerging threat landscape. Our program is regularly evaluated by internal and external experts with the results of those reviews reported to senior management and the Board. We also actively engage with key vendors, industry participants, and intelligence and law enforcement communities as part of our continuing efforts to evaluate and enhance the effectiveness of our information security policies and procedures.

ITEM 2. PROPERTIES

At December 31, 2023, we conducted business through our administrative headquarters located in White Plains, New York and through our eleven branch offices located in Bronx, New York, Rockland, Orange, and Sullivan Counties in New York and Essex, Middlesex, and Norfolk Counties in Massachusetts and three loan production offices located in White Plains and New City, New York and Danvers, Massachusetts. We previously operated a leased wealth management office in Westport, Connecticut. However, we no longer maintain this office following the sale of all of the Bank's assets relating to Harbor West Wealth Management Group to a third party in January 2024, which the third party is currently leasing the office from us. At December 31, 2023, we leased five of our offices, and the total net book value of our land, buildings, furniture, fixtures and equipment was $25.5 million.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and the Bank are involved in routine legal proceedings in the ordinary course of business. At December 31, 2023, such routine legal proceedings, in the aggregate, are believed by management to be immaterial to our financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The common stock of the Company is traded on the Nasdaq Capital Market under the ticker symbol "NECB."

Holders

The number of shareholders of record of the Company at March 28, 2024 was 317.

Dividends

The Company has historically paid a quarterly cash dividend to stockholders. During the year ended December 31, 2023 and 2022, the Company paid regular quarterly cash dividends of $0.06 per share. As previously disclosed, the Company's Board of Directors also declared a one-time special cash dividend of $0.18 per share, which was paid on May 31, 2022, to shareholders of record at the close of business on May 16, 2022.

In determining the amount of any future dividends, the board of directors will take into account the Company's financial condition and results of operations, tax considerations, capital requirements and alternative uses for capital, industry standards, and economic conditions. The Company cannot guarantee that it will pay continue to pay dividends or that, if paid, it will not reduce or eliminate dividends in the future.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information regarding outstanding options and shares outstanding under the Company's previously disclosed 2022 Equity Incentive Plan at December 31, 2023:

Period	(a) Numbers of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Numbers of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plan approved by security holders	880,097	$ 13.67	98,311
Equity compensation plan not approved by security holders	-	-	-
Total	880,097		98,311

Share Repurchases

On July 27, 2022, the Company announced that its Board of Directors had authorized a stock repurchase program to acquire up to 1,637,794 shares, or 10%, of the Company's currently issued and outstanding common stock commencing on August 1, 2022. The stock repurchase program was the Company's first repurchase program since completing its second-step conversion and related stock offering in July 2021.

On May 30, 2023, following the completion of the Company's first stock repurchase program, the Company announced that its Board of Directors had authorized a second stock repurchase program to acquire up to an additional 1,509,218 shares, or 10%, of the Company's currently issued and outstanding common stock.

The following table provides information on repurchases by the Company of its common stock under the Company's stock repurchase program during the three months ended December 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - 31, 2023	200,655	$ 14.87	200,655	697,998
November 1 - 30, 2023	124,700	16.07	124,700	573,298
December 1 - 31, 2023	-	-	-	573,298
Total	325,355		325,355	

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis reflects our consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the audited consolidated financial statements of the Company that appear beginning on page F-1 of this report.

Executive Summary

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, consisting primarily of loans, investment securities, mortgage-backed securities and other interest-earning assets (primarily cash and cash equivalents), and the interest we pay on our interest-bearing liabilities, consisting of money market accounts, statement savings accounts, individual retirement accounts and certificates of deposit. Our results of operations also are affected by our provisions for credit losses, non-interest income and non-interest expense. Non-interest income currently consists primarily of loan fees, service charges, and earnings on bank owned life insurance. Non-interest expense currently consists primarily of salaries and employee benefits, deposit insurance premiums, directors' fees, occupancy and equipment, data processing and professional fees. Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

Business Strategy

Growing our assets with a continued focus on the origination of construction loans.

At December 31, 2023, $1.2 billion, or 76.9%, of our total loan portfolio, net of loans in process, consisted of construction loans primarily located in high demand and high absorption areas in the New York Metropolitan Area. There continues to be a significant need for construction financing within the high absorption, homogeneous communities served by the Bank and we intend to continue to support the growth of these communities through the financing of condominium and apartment construction loans within the communities.

Maintaining strong asset quality and managing credit risk.

Strong asset quality is a key to the long-term financial success of any financial institution. We have been successful in maintaining strong asset quality in recent years. Our ratio of non-performing assets to total assets was 0.33%, 0.10%, and 0.16% at December 31, 2023, 2022 and 2021, respectively. We attribute this credit quality to a conservative credit culture and an effective credit risk management environment. We have an experienced team of credit professionals, well-defined and implemented credit policies and procedures, what we believe to be conservative loan underwriting criteria, and active credit monitoring policies and procedures. Our senior management team also spends substantial time conducting construction site visits and visiting regularly with community leaders and borrowers in our high absorption communities, which enables us to understand the needs of our communities and to stay informed as to matters affecting those communities.

Continuing to grow our non-interest bearing deposit accounts through the maintenance of low customer fees and charges.

We believe that as a community bank we should maintain the fees and charges we charge our customers as low as possible. By doing so, we have been able to attract and retain food service and other businesses as customers of the Bank and at the same time increase the amount of our non-interest bearing business accounts.

Expanding our franchise through de novo branching or branch acquisitions.

As the communities we serve continue to grow and expand into new areas, we believe there will be branch expansion opportunities within our market area and in the newly developing communities expanding outward from existing high absorption, homogeneous communities where our branches are currently located. To this end, we opened a new branch office in Sullivan County, New York during the year ended December 31, 2022. We intend to explore additional opportunities as they arise to expand our branch network.

Expanding our employee base, infrastructure and technology, as necessary, to support future growth.

We have already made significant investments in our infrastructure, technology and employee base to support the growth in our construction portfolio and the increased compliance responsibilities due to such growth, including experienced Bank Secrecy Act professionals. The additional capital raised in the 2021 second-step conversion offering provided us with additional resources to attract and retain the necessary talent and continue to enhance our infrastructure and technology to support our growth following the conversion.

Implement a stockholder-focused strategy for management of our capital.

We recognize that a strong capital position is essential to achieving our long-term objective of building stockholder value, and we believe that our capital position will support our future growth and expansion, and will give us flexibility to pursue other capital management strategies to enhance stockholder value.

Critical Accounting Policies

In the preparation of our consolidated financial statements, we have adopted various accounting policies that govern the application of U.S. generally accepted accounting principles (“GAAP”) and to general practices within the banking industry. Our significant accounting policies are described in note one to the consolidated financial statements included in this report.

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

Accounting Pronouncements Adopted in 2023:

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

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

The following table illustrates the impact of adopting ASC 326:

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

Allowance for Credit Losses - Loans

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

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

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

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

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

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

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

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

On a case-by-case basis, the Company may conclude that a loan should be evaluated on an individual basis based on the loan's disparate risk characteristics. When the Company determines that a loan no longer shares similar risk characteristics with other loans in the portfolio, the allowance will be determined on an individual basis using the present value of expected cash flows or, the loan's observable market price or, for collateral-dependent loans, the fair value of the collateral as of the reporting date, less estimated selling costs, as applicable. If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will charge off the difference between the fair value of the collateral, less costs to sell at the reporting date and the amortized cost basis of the loan.

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

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

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

Allowance for Credit Losses Related to Off-Balance Sheet Credit Exposures

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

Based on management's comprehensive analysis of the loan portfolio, the applicable held-to-maturity debt securities portfolio, and the off-balance sheet credit exposures, management believes the allowance for credit losses is appropriate as of December 31, 2023.

Balance Sheet Analysis

General

Total assets increased by $339.2 million, or 23.8%, to $1.8 billion at December 31, 2023, from $1.4 billion at December 31, 2022. The increase in assets was primarily due to an increase in net loans of $369.6 million, partially offset by decreases in cash and cash equivalents of $26.6 million and securities held-to-maturity of $10.5 million.

Cash and cash equivalents decreased by $26.6 million, or 27.9%, to $68.7 million at December 31, 2023 from $95.3 million at December 31, 2022. The decrease in cash and cash equivalents was a result of an increase of $369.6 million in net loans and stock repurchases of $28.7 million, partially offset by an increase in deposits of $278.1 million, an increase in borrowings of $43.0 million and a decrease in securities held-to-maturity of $10.5 million.

Equity securities increased by $61,000, or 0.3%, to $18.1 million at December 31, 2023 from $18.0 million at December 31, 2022. The increase in equity securities was attributable to market appreciation of $61,000 due to market interest rate volatility during the year ended December 31, 2023.

Securities held-to-maturity decreased by $10.5 million, or 39.9%, to $15.9 million at December 31, 2023 from $26.4 million at December 31, 2022 due to the maturity of $10.0 million in U.S. Treasury holdings, the establishment of $137,000 in an allowance for credit losses for held-to-maturity securities, and to maturities and pay-downs of various investment securities.

The allowance for credit losses for held-to-maturity securities totaling $137,000 was established pursuant to the adoption in 2023 of the current expected credit losses model ("CECL") on held-to-maturity investment securities loss exposures. In this regard, we recognized a one-time credit of $132,000 due to the adoption of CECL at January 1, 2023 and a provision for credit loss totaling $5,000 during the year ended December 31, 2023.

Loans, net of the allowance for credit losses, increased by $369.6 million, or 30.5%, to $1.6 billion at December 31, 2023 from $1.2 billion at December 31, 2022. The increase in loans, net of the allowance for credit losses, was primarily due to loan originations of $815.8 million during the year ended December 31, 2023, consisting primarily of $703.4 million in construction loans with respect to which approximately 38.4% of the funds were disbursed at loan closings, with the remaining funds to be disbursed over the terms of the construction loans. In addition, during the year ended December 31, 2023, we originated $70.7 million in multi-family loans, $26.6 million in commercial and industrial loans, $11.3 million in mixed-use loans, and $3.8 million in non-residential loans.

Loan originations during 2023 resulted in a net increase of $288.8 million in construction loans, $75.5 million in multi-family loans, $7.7 million in mixed-use loans, $1.0 million in commercial and industrial loans, and $694,000 in consumer loans. The increase in our loan portfolio was partially offset by decreases of $4.2 million in non-residential loans, and $215,000 in residential loans, coupled with normal pay-downs and principal reductions.

The allowance for credit losses related to loans decreased to $5.1 million as of December 31, 2023 from $5.5 million as of December 31, 2022. The decrease in the allowance for credit losses related to loans was due to a one-time decrease of $1.6 million due to the adoption of CECL at January 1, 2023 and charge-offs of $313,000, partially offset by provision for credit losses totaling $1.5 million.

Premises and equipment decreased by $611,000, or 2.3%, to $25.5 million at December 31, 2023 from $26.1 million at December 31, 2022 primarily due to the depreciation of fixed assets.

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

Bank owned life insurance ("BOLI") decreased by $814,000, or 3.1%, to $25.1 million at December 31, 2023 from $25.9 million at December 31, 2022 due to two death claims totaling $1.8 million on BOLI policies, partially offset by increases in the BOLI cash value.

Accrued interest receivable increased by $3.7 million, or 43.2%, to $12.3 million at December 31, 2023 from $8.6 million at December 31, 2022 due to an increase in the loan portfolio and interest rate increases in 2023 that resulted in an increase in the interest rates on loans in our construction loan portfolio.

The agreement to sell all of the Bank's assets relating to Harbor West Wealth Management Group to a third party was executed in December 2023, with the transaction closing in January 2024. As a result, goodwill decreased to zero at December 31, 2023 from $200,000 at December 31, 2022.

Foreclosed real estate was $1.5 million at both December 31, 2023 and December 31, 2022.

Right of use assets — operating increased by $2.3 million, or 97.5%, to $4.6 million at December 31, 2023 from $2.3 million at December 31, 2022, primarily due to the leasing of additional space to support the current and anticipated future operations of the Company.

Other assets increased by $2.7 million, or 50.7%, to $8.0 million at December 31, 2023 from $5.3 million at December 31, 2022 due to an increase in tax assets of $2.2 million and an increase in suspense accounts of $484,000.

Total deposits increased by $278.1 million, or 24.8%, to $1.4 billion at December 31, 2023 from $1.1 billion at December 31, 2022. The increase in deposits was due to the Bank offering competitive interest rates to attract deposits. This resulted in a shift in deposits whereby certificates of deposit increased by $378.8 million, or 98.7% and NOW/money market accounts increased by $56.7 million, or 64.3%, partially offset by decreases in savings account balances of $81.2 million, or 29.7%, and non-interest bearing demand deposits of $76.1 million, or 20.2%.

Federal Home Loan Bank advances decreased by $7.0 million, or 33.3%, to $14.0 million at December 31, 2023 from $21.0 million at December 31, 2022 due to the maturity of borrowings in 2023. Federal Reserve Bank borrowings increased to $50.0 million at December 31, 2023 from no such borrowings outstanding at December 31, 2022.

Advance payments by borrowers for taxes and insurance decreased by $349,000, or 14.7%, to $2.0 million at December 31, 2023 from $2.4 million at December 31, 2022 due primarily to remittance of real estate tax payments for our borrowers.

Lease liability – operating increased by $2.3 million, or 95.7%, to $4.6 million at December 31, 2023 from $2.4 million at December 31, 2022, primarily due to the leasing of additional space to support the current and anticipated future operations of the Company.

Accounts payable and accrued expenses decreased by $1.2 million, or 8.1%, to $13.6 million at December 31, 2023 from $14.8 million at December 31, 2022 due primarily to a decrease in suspense accounts for loan closings of $2.7 million and a decrease in accounts payable of $132,000, partially offset by increases in the allowance for credit losses for off-balance sheet commitments of $1.0 million, deferred compensation of $102,000, accrued interest expense of $102,000, and accrued expense of $89,000.

The allowance for credit losses for off-balance sheet commitments was $1.0 million at December 31, 2023 due to a one-time credit of $1.6 million resulting from the adoption of CECL at January 1, 2023, partially offset by a provision for credit loss reduction totaling $548,000 during the year ended December 31, 2023.

Stockholders' equity increased by $17.3 million, or 6.6% to $279.3 million at December 31, 2023, from $262.0 million at December 31, 2022. The increase in stockholders' equity was due to net income of $46.3 million for the year ended December 31, 2023, $1.7 million in the amortization of restricted stock and stock options granted under the Company's 2022 Equity Incentive Plan, a reduction of $869,000 in unearned employee stock ownership plan shares coupled with an increase of $445,000 in earned employee stock ownership plan shares, and $161,000 in other comprehensive income, partially offset by stock repurchases totaling $28.7 million, dividends paid and declared of $3.3 million, and a one-time adjustment to retained earnings of $99,000 due to the adoption of CECL.

Loans

Our loan portfolio consists primarily of construction loans, commercial and industrial loans, multifamily and mixed-use residential real estate loans and non-residential real estate loans. We also have a limited amount of one- to four-family residential real estate loans, which we no longer originate, and consumer loans, which we originate on a very limited basis.

The following table shows the loan portfolio at the dates indicated:

	2023		2022	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Residential real estate loans:				
One- to four-family	$ 5,252	0.33 %	$ 5,467	0.45 %
Multifamily	198,927	12.54	123,385	10.14
Mixed-use	29,643	1.87	21,902	1.80
Total residential real estate loans	233,822	14.74	150,754	12.39
Non-residential real estate loans	21,130	1.33	25,324	2.08
Construction loans	1,219,413	76.85	930,628	76.45
Commercial and industrial loans	111,116	7.00	110,069	9.04
Consumer loans	1,240	0.08	546	0.04
Total loans	1,586,721	100.00 %	1,217,321	100.00 %
Allowance for credit losses	(5,093)		(5,474)	
Deferred loan costs, net	176		372	
Loans, net	$ 1,581,804		$ 1,212,219	

Loan Maturity. The following table sets forth certain information at December 31, 2023 regarding the dollar amount of loan principal repayments becoming due during the periods indicated. The tables do not include any estimate of prepayments which significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below. Demand loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less.

December 31, 2023	One- to Four-Family	Multi-Family	Mixed-Use	Non-Residential Real Estate	Construction	Commercial and Industrial	Consumer	Total Loans
	(Dollars in thousands)							
Amounts due in:								
One year or less	$ —	$ 1,657	$ 973	$ 1,558	$ 788,107	$ 94,392	$ 1,238	$ 887,925
More than 1-5 years	2,111	113,462	9,509	12,461	431,306	10,668	2	579,519
More than 5-15 years	346	81,235	19,161	7,111	—	6,056	—	113,909
More than 15 years	2,795	2,573	—	—	—	—	—	5,368
Total	$ 5,252	$ 198,927	$ 29,643	$ 21,130	$ 1,219,413	$ 111,116	$ 1,240	$ 1,586,721

The following table sets forth all loans at December 31, 2023 that are due after December 31, 2024 and have either fixed interest rates or floating or adjustable interest rates:

	Fixed Rates	Floating or Adjustable Rates	Total at December 31, 2023
	(Dollars in thousands)		
Residential real estate loans:			
One- to four-family	$ 3,141	$ 2,111	$ 5,252
Multifamily	128,520	68,750	197,270
Mixed-use	5,268	23,402	28,670
Non-residential real estate loans	8,479	11,093	19,572
Construction loans	—	431,306	431,306
Commercial and industrial loans	14,577	2,147	16,724
Consumer loans	2	—	2
Total	$ 159,987	$ 538,809	$ 698,796

Securities

Our investment portfolio consists primarily of mutual funds, residential mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae primarily with stated final maturities of 10 years or more, and municipal securities with maturities of one year or more.

The following table sets forth the stated maturities and weighted average yields of investment securities at December 31, 2023. Weighted average yields on tax-exempt securities are presented on a tax equivalent basis using a combined federal and state marginal rate of 28.5%. Certain securities have adjustable interest rates and will reprice monthly, quarterly, semi-annually or annually within the various maturity ranges. Equity securities are not included in the table based on lack of a maturity date. The table presents contractual maturities for mortgage-backed securities and does not reflect repricing or the effect of prepayments.

	Due within One Year		Due after One but within Five Years		Due after Five but within Ten Years		Due after Ten Years		Total	
December 31, 2023	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
	(Dollars in thousands)									
Securities held-to-maturity:										
Mortgage-backed securities	$ 4	6.29 %	$ 5	3.71 %	$ 1,187	1.91 %	$ 2,109	2.09 %	$ 3,305	2.03 %
U.S. agency collateralized mortgage obligations	—	—	—	—	—	—	2,889	1.50	2,889	1.50
Municipal bonds	708	1.61	2,019	1.80	1,685	1.45	5,390	1.46	9,802	1.54
Total held-to-maturity	$ 712	1.64 %	$ 2,024	1.80 %	$ 2,872	1.64 %	$ 10,388	1.60 %	$ 15,996	1.63 %
Total investment securities	$ 712	1.64 %	$ 2,024	1.80 %	$ 2,872	1.64 %	$ 10,388	1.60 %	$ 15,996	1.63 %

Deposits

Deposits are a major source of our funds for lending and other investment purposes, and our deposits are provided primarily by individuals within our market area. In addition, we rely on brokered, listing and military deposits, which represent a viable and cost effective addition to our deposit gathering and maintenance strategy, often at a lower “all-in” cost when compared to our retail branch network. Use of these types of deposits allows us to match the maturity of these deposits to the term of our construction loans. The following table sets forth the deposits as a percentage of total deposits for the dates indicated:

	At December 31,					
	2023			2022		
	Average Outstanding Balance	Percent	Average Rate	Average Outstanding Balance	Percent	Average Rate
	(Dollars in thousands)					
Demand deposits:						
Non-interest bearing	$ 322,185	25.18%	—	$ 355,118	36.31%	—
NOW and money market	93,426	7.30%	3.07%	108,077	11.05%	0.95%
Total	415,611	32.48%	1.00%	463,195	47.36%	0.18%
Savings accounts	248,755	19.44%	2.71%	228,811	23.40%	2.68%
Certificates of deposit	615,124	48.08%	4.62%	285,991	29.24%	2.52%
Total	$ 1,279,490	100.00%	3.20%	$ 977,997	100.00%	1.59%

As of December 31, 2023 and 2022, the aggregate amount of uninsured deposits (deposits in amounts greater than or equal to $250,000, which is the maximum amount for federal deposit insurance) was $344.8 million and $672.8 million, respectively. In addition, as of December 31, 2023, the aggregate amount of all our uninsured certificates of deposit was $178.1 million. We have no deposits that are uninsured for any reason other than being in excess of the maximum amount for federal deposit insurance.

The following table sets forth the portion of the Bank’s certificates of deposit, by remaining time until maturity, that are in excess of the FDIC insurance limit as of December 31, 2023:

	At December 31, 2023
	(In thousands)
Maturity Period:	
Three months or less	$ 70,969
Over three through six months	23,029
Over six through twelve months	58,365
Over twelve months	25,749
Total	$ 178,112

Average Balance Sheets

The following tables set forth average balance sheets, average yields and costs, and certain other information for the years indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense. Deferred loan fees totaled $176,000 and $372,000 for the years ended December 31, 2023 and 2022, respectively. Loan balances exclude loans held for sale.

	Year Ended December 31,					
	2023			2022		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable	$ 1,401,492	$ 127,486	9.10 %	$ 1,054,577	$ 69,992	6.64 %
Securities	37,819	777	2.05	42,771	681	1.59
Federal Home Loan Bank stock	984	82	8.33	1,299	69	5.31
Other interest-earning assets	76,542	4,143	5.41	101,999	1,260	1.24
Total interest-earning assets	1,516,837	132,488	8.73	1,200,646	72,002	6.00
Allowance for credit losses	(4,676)			(5,387)		
Noninterest-earning assets	84,287			79,835		
Total assets	$ 1,596,448			$ 1,275,094		
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 93,426	$ 2,459	2.63 %	$ 108,077	$ 918	0.85 %
Savings and club accounts	248,755	6,777	2.72	228,811	2,688	1.17
Certificates of deposit	615,124	24,945	4.06	285,991	3,938	1.38
Interest-bearing deposits	957,305	34,181	3.57	622,879	7,544	1.21
Federal Home Loan Bank advances and other	29,007	1,116	3.85	22,247	583	2.62
Total interest-bearing liabilities	986,312	$ 35,297	3.58	645,126	$ 8,127	1.26
Noninterest-bearing demand deposits	322,185			355,118		
Other noninterest-bearing liabilities	17,139			16,137		
Total liabilities	1,325,636			1,016,381		
Total shareholders' equity	270,812			258,713		
Total liabilities and shareholders' equity	$ 1,596,448			$ 1,275,094		
Net interest income		$ 97,191			$ 63,875	
Net interest rate spread (1)			5.15 %			4.74 %
Net interest margin (3)			6.41 %			5.32 %
Net interest-earning assets (2)	$ 530,525			$ 555,520		
Average interest-earning assets to interest-bearing liabilities	153.79 %			186.11 %		

(1) 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.

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

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

Rate/Volume Analysis

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

	Year Ended 12/31/2023 Compared to Year Ended 12/31/2022 Increase (Decrease) Due to		
	Volume	Rate	Total
	(Dollars in thousands)		
Interest income:			
Loans receivable	$ 27,037	$ 30,457	$ 57,494
Securities	(85)	181	96
Federal Home Loan Bank stock	(20)	33	13
Other interest-earning assets	(388)	3,271	2,883
Total	$ 26,544	$ 33,942	$ 60,486
Interest expense:			
Interest bearing demand deposit	$ (140)	$ 1,681	$ 1,541
Savings accounts	253	3,836	4,089
Certificates of deposits	7,809	13,198	21,007
Borrowed money	210	323	533
Total	8,132	19,038	27,170
Net change in net interest income	$ 18,412	$ 14,904	$ 33,316

Results of Operations for the Years Ended December 31, 2023 and 2022

Financial Highlights

Net income for the year ended December 31, 2023 was $46.3 million compared to net income of $24.8 million for the year ended December 31, 2022. Net income for the year ended December 31, 2023 was greater than the year ended December 31, 2022 primarily due to an increase in net interest income and an increase in non-interest income, partially offset by an increase in provision for credit losses expense, an increase in non-interest expenses, and an increase in income tax expense.

Summary Income Statements

The following table sets forth the income summary for the periods indicated:

	Year Ended December 31,			
			Change Fiscal 2023/2022	
	2023	2022	$	%
	(Dollars in thousands)			
Net interest income	$ 97,191	$ 63,875	$ 33,316	52.16 %
Provision for credit losses	972	439	533	121.41 %
Non-interest income	3,743	1,683	2,060	122.40 %
Non-interest expenses	35,221	30,690	4,531	14.76 %
Income tax expense	18,465	9,586	8,879	92.62 %
Net income	$ 46,276	$ 24,843	$ 21,433	86.27 %
Return on average assets	2.90 %	1.95 %		
Return on average equity	17.09 %	9.60 %		

Net Interest Income

Net interest income totaled $97.2 million for the year ended December 31, 2023, as compared to $63.9 million for the year ended December 31, 2022. The increase in net interest income of $33.3 million, or 52.2%, was primarily due to an increase in interest income that exceeded an increase in interest expense in a manner consistent with the increase in interest rates attributable to the Federal Reserve's rate increases during the year ended December 31, 2023.

The increase in net interest income was also due to increases in the average balances of loans, partially offset by decreases in the average balances of interest-earning deposits at other financial institutions, investment securities, and Federal Home Loan Bank stock as we continued to grow the Company by leveraging the proceeds raised in our July 2021 second-step conversion.

The increase in market interest rates in 2023 also caused an increase in our interest expense. As a result, the increase in interest expense for the year ended December 31, 2023 was due to an increase in the cost of funds on our deposits and our borrowed money. The increase in interest expense was also due to increases in the average balances on our certificates of deposits, our savings and club deposits, and our borrowed money, offset by a decrease in the average balances on our interest-bearing demand deposits.

Total interest and dividend income increased by $60.5 million, or 84.0%, to $132.5 million for the year ended December 31, 2023 from $72.0 million for the year ended December 31, 2022. The increase in interest and dividend income was due to an increase in the average balance of interest earning assets of $316.2 million, or 26.3%, to $1.5 billion for the year ended December 31, 2023 from $1.2 billion for the year ended December 31, 2022 and an increase in the yield on interest earning assets by 273 basis points from 6.00% for the year ended December 31, 2022 to 8.73% for the year ended December 31, 2023.

Interest expense increased by $27.2 million, or 334.3%, to $35.3 million for the year ended December 31, 2023 from $8.1 million for the year ended December 31, 2022. The increase in interest expense was due to an increase in the cost of interest bearing liabilities by 232 basis points from 1.26% for the year ended December 31, 2022 to 3.58% for the year ended December 31, 2023, and an increase in average interest bearing liabilities of $341.2 million, or 52.9%, to $986.3 million for the year ended December 31, 2023 from $645.1 million for the year ended December 31, 2022.

The increase in the cost of interest bearing liabilities was also partially due to a shift to interest bearing certificates of deposits and savings accounts from interest bearing demand deposits as the average balances of interest bearing certificates of deposits increased by $329.1 million, or 115.1%, from $286.0 million for the year ended December 31, 2022 to $615.1 million for the year ended December 31, 2023 and the average balances of savings accounts increased by $19.9 million, or 8.7%, from $228.8 million for the year ended December 31, 2022 to $248.7 million for the year ended December 31, 2023. During the same time period, the average balances of interest bearing demand deposits decreased by $14.7 million, or 13.7%, from $108.1 million for the year ended December 31, 2022 to $93.4 million for the year ended December 31, 2023. The increase in the average balances of interest bearing certificates of deposits was primarily due to the funding of the loan portfolio growth.

In addition, the average balances of our non-interest bearing demand deposits decreased by $32.9 million, or 9.3%, from $355.1 million for the year ended December 31, 2022 to $322.2 million for the year ended December 31, 2023. Net interest margin increased by 109 basis points, or 20.5%, for the year ended December 31, 2023 to 6.41% compared to 5.32% for the year ended December 31, 2022. The increase in the net interest margin was due to an increase in the net interest income of $33.3 million, or 52.2%, partially offset by an increase in the average balance of interest earning assets of $316.2 million, or 26.3%.

Credit Loss Expense. A provision for credit losses of $972,000 was recorded for the year ended December 31, 2023 as compared to $439,000 for the year ended December 31, 2022. The credit loss expense of $972,000 for the year ended December 31, 2023 was comprised of credit loss expense for loans of $1.5 million and credit loss expense for held-to-maturity investment securities of $5,000, partially offset by a credit loss expense reduction for off-balance sheet commitments of $548,000. The credit loss expense of $439,000 for the year ended December 31, 2022 was primarily attributable to the charge-offs totaling $414,000 against the sale of four loans and charge-offs of $34,000 against various unpaid overdrafts in our demand deposit accounts.

We charged-off $313,000 during the year ended December 31, 2023 as compared to charge-offs of $449,000 during the year ended December 31, 2022. The charge-offs of $313,000 during the year ended December 31, 2023 were comprised of a charge-off of $159,000 related to three performing construction loans on the same project whereby we sold the loans to a third-party at a loss of $159,000, as well as charge-offs of $154,000 against various unpaid overdrafts in our demand deposit accounts.

The charge-offs of $449,000 during the year ended December 31, 2022 were comprised of a $328,000 charge-off against one construction project in connection with the sale of the project's two non-performing loans to a third party precipitated by legal action between the two partners/borrowers in the project, an $86,000 charge-off against two mixed-use loans to a borrower in connection with the sale of the two performing troubled debt restructured loans to a third party, and $35,000 charge-offs against various unpaid overdrafts in our demand deposit accounts.

We recorded no recoveries from previously charged-off loans during the year ended December 31, 2023 compared to recoveries of $242,000 during the year ended December 31, 2022, which was comprised of $146,000 from a previously charged-off loan secured by a multi-family property, $53,000 from a previously charged-off loan secured by a non-residential property, and $43,000 regarding a previously charged-off loan secured by a mixed-use property.

Based on a review of our loan portfolio, held-to-maturity investment securities, and off-balance sheet commitments at December 31, 2023, management believes that the allowance is maintained at a level that represents its best estimate of expected future losses in the loan portfolio, held-to-maturity investment securities, and off-balance sheet commitments that were both probable and reasonably estimable.

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

Non-Interest Income

The following table sets forth a summary of non-interest income for the periods indicated:

	Year Ended December 31, 2023	Year Ended December 31, 2022
	(Dollars in thousands)	
Other loan fees and service charges	$ 1,891	$ 1,994
(Loss) gain on disposition of equipment	(18)	98
Earnings on bank-owned life insurance	1,013	604
Investment advisory fees	458	474
Realized and unrealized gain (loss) on equity securities	294	(1,573)
Other	105	86
Total	$ 3,743	$ 1,683

The increase in total non-interest income was primarily due to an increase of $1.9 million in unrealized gain in our equity securities, an increase of $409,000 in BOLI income, and an increase of $19,000 in other non-interest income. These were partially offset by a decrease of $116,000 in gain/loss on sale of fixed assets, a decrease of $103,000 in loan fees and service charges, and a decrease of $16,000 in investment advisory fees.

The increase of $1.9 million in unrealized gain on equity was due to an unrealized gain of $294,000 on equity securities during the year ended December 31, 2023 compared to an unrealized loss of $1.6 million on equity securities during the year ended December 31, 2022. The unrealized gain of $294,000 on equity securities during 2023 was due to market interest rate volatility during the year ended December 31, 2023.

The increase of $409,000 in BOLI income was primarily due to two death claims totaling $1.8 million on BOLI policies that resulted in additional BOLI income of $404,000 during the year ended December 31, 2023. The increase of $19,000 in other non-interest income was due to an increase in miscellaneous income from our branch operations.

The decrease of $116,000 in gain/loss on sale of fixed assets was due to a loss of $18,000 on sale of fixed assets in 2023 compared to a gain of $98,000 on sale of fixed assets in 2022. The decrease of $103,000 in other loan fees and service charges was due to a decrease of $174,000 in other loan fees and loan servicing fees and a decrease of $10,000 in deposit account fees, partially offset by an increase of $81,000 in ATM/debit card/ACH fees. The decrease in investment advisory fees was due to a decrease in assets under management of Harbor West, our former wealth management division, and a decrease in commission income from Harbor West due to market conditions.

Non-Interest Expense

The following table sets forth an analysis of non-interest expense for the periods indicated:

	Year Ended December 31, 2023	Year Ended December 31, 2022
	(Dollars in thousands)	
Salaries and employee benefits	$ 18,839	$ 15,549
Occupancy expense	2,595	2,428
Equipment	1,055	1,107
Outside data processing	2,210	1,886
Advertising	521	299
Impairment loss on goodwill	—	451
Loss on disposition of business	138	—
Real estate owned expense	93	623
Other	9,770	8,347
Total	$ 35,221	$ 30,690

Non-interest expense increased by $4.5 million, or 14.8%, to $35.2 million for the year ended December 31, 2023 from $30.7 million for the year ended December 31, 2022. The increase resulted primarily from increases of $3.3 million in salaries and employee benefits, $1.4 million in other operating expense, $324,000 in outside data processing expense, $222,000 in advertising expense, $167,000 in occupancy expense, and $138,000 in loss on the disposition of the Bank's assets relating to the Harbor West Wealth Management Group, partially offset by decreases of $530,000 in real estate owned expense, $451,000 in goodwill impairment charges, and $52,000 in equipment expense.

Salaries and employee benefits increased by $3.3 million, or 21.2%, to $18.8 million in 2023 from $15.5 million in 2022 primarily due to the hiring of additional personnel to support the growth of the Company, the amortization of expenses related to the 2022 Equity Incentive Plan awards of restricted stocks and options, and a decrease in loan origination expenses related to loan origination fees due to a decrease in loan originations.

Other non-interest expense increased by $1.4 million, or 17.0%, to $9.8 million in 2023 from $8.3 million in 2022 due mainly to increases of $1.2 million in miscellaneous other non-interest expense, $331,000 in service contracts expense, $216,000 in directors compensation, $62,000 in telephone expense, $30,000 in office supplies, and $24,000 in insurance expense. These increases were partially offset by decreases of $170,000 in consulting fees, $148,000 in legal fees, $69,000 in audit and accounting fees, $63,000 in expenses related to the hiring of personnel, and $7,000 in directors, officers, and employee expenses.

The increase of $1.2 million in miscellaneous other non-interest expense was mainly due to an increase of $1.0 million in regulatory insurance premiums and assessments due to an increase in our total assets and an increase of $242,000 in dues and subscriptions.

Outside data processing expense increased by $324,000, or 17.2%, to $2.2 million in 2023 from $1.9 million in 2022 due to an increase in transactions and additional services required in 2023 to support the Company's expansion. Advertising expense increased by $222,000, or 74.2%, to $521,000 in 2023 from $299,000 in 2022 due mainly to the resumption of advertising to promote interest rates offered on our deposit products. Occupancy expense increased by $167,000, or 6.9%, to $2.6 million in 2023 from $2.4 million in 2022 primarily as a result of the increased cost of operating office space.

Real estate owned expense decreased by $530,000, or 85.1%, to $93,000 in 2023 from $623,000 in 2022 due to the write down of $540,000 in the value of the one foreclosed property in 2022, partially offset by an increase of $10,000 in operating expenses to maintain the one real estate owned property in 2023. The write down of $540,000 on the fair market value of a foreclosed property in 2022 was due to the increase in interest rates resulting in an increase in the capitalization rate thereby reducing the calculated fair market value of the property.

Equipment expense decreased by $52,000, or 4.7%, to $1.1 million in 2023 from $1.1 million in 2022 due to a reduced need to purchase additional equipment in 2023.

There was no goodwill impairment expense in 2023 compared to a goodwill impairment expense of $451,000 in 2022. The goodwill was recorded in connection with the acquisition of Harbor West Financial Planning Wealth Management Group in 2007, which then operated as a division of the Bank until January 2024, when the Bank sold all assets related to Harbor West and discontinued offering wealth management services. The goodwill impairment in 2022 was caused primarily by the expected decrease in revenue from this division due to a decrease in clients and the resulting decrease in assets under management.

Income Taxes. The Company recorded income tax expense of $18.5 million and $9.6 million for the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, the Company had approximately $1.1 million in tax exempt income, compared to approximately $740,000 in tax exempt income for the year ended December 31, 2022. The Company's effective income tax rates were 28.5% and 27.8% for the years ended December 31, 2023 and 2022, respectively.

Risk Management

Overview

Managing risk is an essential part of successfully managing a financial institution. Our most prominent risk exposures are credit risk, interest rate risk and market risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of interest income as a result of changes in interest rates. Market risk arises from fluctuations in interest rates that may result in changes in the values of financial instruments, such as available-for-sale securities that are accounted for at fair value. Other risks that we face are operational risk, liquidity risk and reputation risk. Operational risk includes risks related to fraud, regulatory compliance, processing errors, technology, and disaster recovery. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue.

Management of Credit Risk

The objective of our credit risk management strategy is to quantify and manage credit risk and to limit the risk of loss resulting from an individual customer default. Our credit risk management strategy focuses on conservatism, an excellent knowledge of the communities we lend in, and significant levels of monitoring. Our lending practices include conservative exposure limits and underwriting, extensive documentation and collection standards. Our credit risk management strategy also emphasizes diversification at the borrower level as well as regular credit examinations, continuous site visits by executive management and management reviews of large credit exposures and credits that might experience deterioration of credit quality.

As part of its risk management process, the Bank conducts stress testing on its commercial real estate portfolio, performs a global cash flow analysis for loans associated with multiple properties and/or guarantors and also operates a loan review program for all real estate loans (including construction loans) with terms more than 12 months. In addition, we track our board approved limits for each commercial real estate category on a monthly basis.

Analysis of Non-Performing, Troubled Debt Restructurings and Classified Assets.

Classified Assets. FDIC regulations and our Asset Classification Policy provide that loans and other assets considered to be of lesser quality be classified as "substandard," "doubtful" or "loss" assets. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified as "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. We classify an asset as "special mention" if the asset has a potential weakness that warrants management's escalated level of attention. While such assets are not impaired, management has concluded that if the potential weakness in the asset is not addressed, the value of the asset may deteriorate, adversely affecting the repayment of the asset. Loans classified as impaired for financial reporting purposes are generally those loans classified as substandard or doubtful for regulatory reporting purposes.

An insured institution is required to establish allowances for credit losses in an amount deemed prudent by management for loans classified as substandard or doubtful, as well as for other problem loans. General allowances represent loss allowances which have been established to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required to charge off such amounts. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the FDIC.

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

	At December 31,	
	2023	2022
	(Dollars in thousands)	
Total non-accrual loans	$ 4,385	$ —
Total accruing loans past due 90 days or more	—	—
Total non-performing loans	4,385	—
Real estate owned	1,456	1,456
Total non-performing assets	$ 5,841	$ 1,456
Total non-performing loans to total loans	0.37 %	— %
Total non-performing assets to total assets	0.33 %	0.10 %

During the year ended December 31, 2023, non-performing assets increased by $4.4 million, or 301.2%, to $5.8 million from $1.5 million as of December 31, 2022. At December 31, 2023, we had two non-performing, non-accrual construction loans totaling $4.4 million secured by the same project located in the Bronx, New York. At December 31, 2022, we had no non-performing, non-accrual loans. The other non-performing assets consisted of one foreclosed property at December 31, 2023 and December 31, 2022.

In 2023, we collected no interest income from loans that were in non-accrual status in 2023. In 2022, we collected no interest income from loans that were in non-accrual status in 2022.

From time to time, as part of our loss mitigation strategy, we may modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay, or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. There were no new loan modifications to borrowers experiencing financial difficulties during the years ended December 31, 2023 and December 31, 2022.

At December 31, 2023, we had no loans modified to borrowers experiencing financial difficulty. At December 31, 2022, we had two modified loans with an aggregate balance of $855,000 to one borrower and secured by two adjacent mixed-use properties but were performing in accordance with their restructured terms for the requisite period of time (generally at least six consecutive months) to be returned to accrual status. We subsequently sold these two loans to a third party in January 2023 at a loss of $86,000.

The following table summarizes classified and criticized assets of all portfolio types at the dates indicated:

	At December 31, 2023	At December 31, 2022
	(In thousands)	
Classified loans:		
Substandard	$ 4,385	$ 855
Doubtful	—	—
Loss	—	—
Total classified loans	4,385	855
Special mention	915	946
Total criticized loans	$ 5,300	$ 1,801

On the basis of management's review of our assets, we had two loans totaling $4.4 million classified as substandard at December 31, 2023 compared to two loans totaling $855,000 classified as substandard at December 31, 2022. In addition, we had the same one loan classified as special mention at December 31, 2023 and December 31, 2022, with balances of $915,000 and $946,000, respectively.

There were no assets classified as doubtful or loss at December 31, 2023 or 2022. The loan portfolio is reviewed on a regular basis to determine whether any loans require classification in accordance with applicable regulations. Not all classified assets constitute non-performing assets.

The increase in substandard assets was due to the addition of two non-performing, non-accrual construction loans totaling $4.4 million secured by the same project located in the Bronx, New York, partially offset by the sale to a third-party in January 2023 of two performing mixed-use mortgage loans totaling $855,000 that were classified as TDRs and as substandard.

Delinquent Loans

The following table provides information about delinquencies in our loan portfolio at the dates indicated:

	At December 31, 2023			At December 31, 2022		
	Days Past Due			Days Past Due		
	30 – 59	60 – 89	90 or more	30 – 59	60 – 89	90 or more
	(In thousands)					
Residential real estate loans:						
Multi-family	$ —	$ —	$ —	$ —	$ 946	$ —
Consumer loan:	1	—	—	—	—	—
Construction loan:	2,319	—	4,385	—	—	—
Total	$ 2,320	$ —	$ 4,385	$ —	$ 946	$ —

Analysis and Determination of the Allowance for Credit Losses - Loans

The allowance for credit losses ("ACL") is a valuation account that reflects management's evaluation of expected future losses in the loan portfolio. We evaluate the need to establish allowances against credit losses on loans on a quarterly basis. When additional allowances are necessary, a provision for credit losses is charged to earnings. The ACL is maintained at a level that management considers adequate to provide for estimated losses and impairment based upon an evaluation of known and inherent risk in the loan portfolio. The ACL consists of two elements: (1) identification of loans that must be individually analyzed for credit loss and (2) establishment of an ACL for loans collectively analyzed.

Individually Analyzed Loans. Management regularly monitors the condition of borrowers and assesses both internal and external factors in determining whether any relationships have deteriorated, considering factors such as historical loss experience, trends in delinquency and non-performing loans, changes in risk composition and underwriting standards, and regional and national economic conditions and trends.

Our loan officers, loan servicing staff, and internal loan review personnel identify and manage potential problem loans within our mortgage, construction, and commercial and industrial loan portfolio. Non-performing assets within these loan portfolios are transferred to the Special Assets Department for workout or litigation. The Special Assets Department reports directly to the Executive Committee. Changes in management, financial or operating performance, company behavior, industry factors and external events and circumstances are evaluated on an ongoing basis to determine whether potential impairment is evident and additional analysis is needed. For our loan portfolio, risk ratings are assigned to each individual loan to differentiate risk within the portfolio and are reviewed on an ongoing basis by the Internal Loan Review Department and revised, if needed, to reflect the borrower's current risk profiles and the related collateral positions.

The risk ratings consider factors such as property location, property type, loan duration, debt capacity and coverage ratios, absorption rate and marketability, borrower's experience, borrower's financial condition, and borrower's credit quality. When a credit's risk rating is downgraded to a certain level, the relationship must be reviewed and detailed reports completed that document risk management strategies for the credit going forward, and the appropriate accounting actions to take in accordance with generally accepted accounting principles in the United States. When credits are downgraded beyond a certain level, our Special Assets Department becomes responsible for managing the credit risk.

The Executive Committee reviews risk rating actions (specifically downgrades or upgrades between pass and the criticized and classified categories) recommended by Internal Loan Review and/or Special Assets Departments on a quarterly basis. Our Lending, Loan Servicing and Internal Loan Review Departments monitor our mortgage, construction, and commercial and industrial loan portfolios for credit risk and deterioration considering factors such as delinquency, loan to value ratios and credit scores.

When problem loans are identified that are secured with collateral, management examines the loan files to evaluate the nature and type of collateral supporting the loans. Management documents the collateral type, date of the most recent valuation, and whether any liens exist, to determine the value to compare against the committed loan amount. If a loan is identified as impaired and is collateral dependent, an in-house analysis is performed and/or an updated appraisal is obtained to provide a baseline in determining the property's fair value. A collateral dependent impaired loan is written down to its appraised value and an allowance is established to cover potential selling costs. If the collateral value is subject to significant volatility (due to location of asset, obsolescence, etc.) an appraisal is obtained more frequently. In-house revaluations are typically performed on a quarterly basis and updated appraisals are obtained annually, if determined necessary.

When we determine that the value of an impaired loan is less than its carrying amount, we recognize impairment through a charge-off to the allowance for credit losses. We perform these assessments on an ongoing basis. For mortgage, construction, and commercial and industrial loans, a charge-off is recorded when management determines we will not collect 100% of a loan based on the fair value of the collateral or the net present value of expected future cash flows. The collateral deficiency on consumer loans and residential loans are generally charged-off when deemed to be uncollectible or delinquent 180 days, whichever comes first, unless it can be clearly demonstrated that repayment will occur regardless of the delinquency status. Examples that would demonstrate repayment include a loan that is secured by adequate collateral and is in the process of collection, a loan supported by a valid guarantee or insurance, or a loan supported by a valid claim against a solvent estate.

Collectively Analyzed Loans. Additionally, we reserve for certain inherent, but undetected, losses that are probable within the loan portfolio. This is due to several factors, such as, but not limited to, inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions and the interpretation of economic trends. While this analysis is conducted at least quarterly, we have the ability to revise the allowance factors whenever necessary to address improving or deteriorating credit quality trends or specific risks associated with a given loan pool classification.

A comprehensive analysis of the allowance for credit losses on loans is performed on a quarterly basis. The entire allowance for credit losses on loans is available to absorb losses in the loan portfolio irrespective of the amount of each separate element of the ACL. Our principal focus, therefore, is on the adequacy of the total allowance for credit losses.

Although we believe we have established and maintained the ACL on loans at appropriate levels, changes in reserves may be necessary if actual economic and other conditions differ substantially from the forecast used in estimating the ACL. See note 1 to our consolidated financial statements for a detailed discussion of our accounting policies and methodologies for establishing the ACL.

The allowance for credit losses is subject to review by our banking regulators. The FDIC and the New York State Department of Financial Services, as an integral part of their examination process, periodically review our allowance for credit losses and make an assessment regarding its adequacy and the methodology employed in its determination. As a result, our banking regulators could require us to increase our allowance for credit losses - loans.

The following table sets forth the breakdown of the allowance for credit losses by loan category at the dates indicated:

	At December 31,					
	2023			2022		
	Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans
	(Dollars in thousands)					
Residential real estate loans:						
One- to four-family	$ 44	0.86 %	0.33 %	$ 11	0.20 %	0.45 %
Multifamily	2,186	42.92	12.54	479	8.75	10.14
Mixed-use	203	3.99	1.87	38	0.69	1.80
Non-residential real estate loans	126	2.47	1.33	131	2.39	2.08
Construction loans	1,914	37.58	76.85	3,835	70.06	76.45
Commercial and industrial	472	9.27	7.00	955	17.45	9.04
Consumer loans	148	2.91	0.08	18	0.33	0.04
Total general allowance	$ 5,093	100.00 %	100.00 %	$ 5,467	99.87 %	100.00 %
Unallocated	—	-	—	7	0.13	—
Total allowance for credit losses	$ 5,093	100.00 %	100.00 %	$ 5,474	100.00 %	100.00 %

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

	At or For the Year Ended December 31,	
	2023	2022
	(Dollars in thousands)	
Total loans net of deferred fees	$ 1,586,897	$ 1,217,693
Average loans outstanding	1,401,492	1,054,577
Allowance at beginning of period	$ 5,474	$ 5,242
Impact of adopting ASC 326	(1,584)	—
Net charge-offs:		
Residential real estate loans:		
One- to four-family	—	—
Multifamily	—	—
Mixed-use	—	(103)
Total residential real estate loans	—	(103)
Non-residential real estate loans	—	(53)
Construction loans	159	328
Commercial and industrial loans	—	—
Consumer loans	154	35
Total net charge-offs	313	207
Provision for credit losses	1,516	439
Allowance at end of period	$ 5,093	$ 5,474
Average loan outstanding:		
Residential real estate loans:		
One- to four-family	5,240	6,213
Multifamily	141,836	83,907
Mixed-use	28,034	24,333
Total residential real estate loans	175,110	114,453
Non-residential real estate loans	23,196	33,531
Construction loans	1,088,219	795,340
Commercial and industrial loans	113,908	110,452
Consumer loans	1,059	501
Total	1,401,492	1,054,277
Net charge-offs as a percentage of average loans outstanding		
Residential real estate loans:		
One- to four-family	— %	— %
Multifamily	—	—
Mixed-use	—	(0.42)
Total residential real estate loans	—	(0.09)
Non-residential real estate loans	—	(0.16)
Construction loans	0.01	0
Commercial and industrial loans	—	—
Consumer loans	14.54	6.99
Total net charge-offs	0.02 %	0.02 %
Credit Quality Ratios:		
As a percentage of year-end loans, net of unearned income:		
Allowance for credit loss	0.32 %	0.45 %
Nonaccrual loans	0.28 %	— %
Nonperforming loans	0.28 %	— %
Allowance for credit losses to nonaccrual loans	116.15 %	— %
Allowance for credit losses to nonperforming loans	116.15 %	— %

The allowance for credit losses related to loans decreased by $381,000 to $5.1 million at December 31, 2023 from $5.5 million at December 31, 2022. The decrease in the allowances for credit losses was due primarily to the adoption of CECL which reduced the allowance by $1.6 million and charge-offs totaling $313,000 that comprised of a charge-off of $159,000 related to three performing construction loans on the same project whereby we sold the loans to a third-party at a loss of $159,000 and charge-offs of $154,000 against various unpaid overdrafts in our demand deposit accounts, partially offset by provision for credit losses related to loans totaling $1.5 million at December 31, 2023.

The increase in the provision for credit losses related to loans was due to increases in the construction, multi-family mortgage, mixed-use mortgage, and commercial and industrial loan portfolio, partially offset by a decrease in the non-residential mortgage loan portfolio.

We had no recoveries in 2023 compared to recoveries totaling $241,000 in 2022. Loans evaluated collectively totaled $1.6 billion at December 31, 2023 compared to $1.2 billion at December 31, 2022. Loans evaluated individually totaled $4.4 million at December 31, 2023 compared to $855,000 at December 31, 2022.

The allowance for credit losses related to off-balance sheet commitments of $1.1 million comprised of the adoption of CECL totaling $1.6 million, partially offset by a credit loss expense reduction of $548,000 at December 31, 2023.

The allowance for credit losses related to held-to-maturity of debt securities of $137,000 comprised of the adoption of CECL totaling $132,000 and provision for credit loss expense of $5,000 at December 31, 2023.

Interest Rate Risk Management

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

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

Our objective is to manage our interest rate risk by determining whether a given movement in interest rates affects our net interest income and the market value of our portfolio equity in a positive or negative way and to execute strategies to maintain interest rate risk within established limits. The results at December 31, 2023 indicate the level of risk within the parameters of our model. Our management believes that the December 31, 2023 results indicate a profile that reflects interest rate risk exposures in both rising and declining rate environments for both net interest income and economic value.

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

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

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

If the results produce quantifiable interest rate risk exposure beyond our limits, then the testing will have served as a monitoring mechanism to allow us to initiate asset/liability strategies designed to reduce and therefore mitigate interest rate risk. The table below sets forth an approximation of our interest rate risk exposure. The simulation uses projected repricing of assets and liabilities at December 31, 2023. The income simulation analysis presented represents a one-year impact of the interest scenario assuming a static balance sheet. Various assumptions are made regarding the prepayment speed and optionality of loans, investment securities and deposits, which are based on analysis and market information. The assumptions regarding optionality, such as prepayments of loans and the effective lives and repricing of non-maturity deposit products, are documented periodically through evaluation of current market conditions and historical correlations to our specific asset and liability products under varying interest rate scenarios.

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

The table below sets forth, as of December 31, 2023, the Bank's net portfolio value, the estimated changes in our net portfolio value and net interest income that would result from the designated instantaneous parallel changes in market interest rates.

	Twelve Month Net Interest Income	Net Portfolio Value	
Change in Interest Rates (Basis Points)	**Percent of Change**	**Estimated NPV**	**Percent of Change**
+300	18.68 %	$ 298,388	4.25 %
+200	12.61	294,494	2.89
+100	6.39	291,602	1.88
0	—	286,231	—
-100	(8.07)%	$ 277,917	(2.90)%
-200	(16.37)	267,564	(6.52)
-300	(24.50)	254,985	(10.92)

As of December 31, 2023, based on the scenarios above, net interest income would increase by approximately 6.39% to 18.68%, over a one-year time horizon in a rising interest rate environment. One-year net interest income would decrease by approximately 8.07% to 24.50% in a declining interest rate environment over the same period.

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

Overall, our December 31, 2023 results indicate that we are adequately positioned with an acceptable net interest income and economic value at risk and that all interest rate risk results continue to be within our policy guidelines.

Liquidity and Capital Resources

We maintain liquid assets at levels we believe are adequate to meet our liquidity needs. We established a liquidity ratio policy that identify three liquidity ratios consisting of (1) Cash/Deposits & Short-Term Borrowings ("Cash Liquidity"), (2) Cash & Investments/Deposits & Short-Term Borrowings ("On Balance Sheet Liquidity"), and (3) Cash & Investments & Borrowing Capacity/Deposits & Short-Term Borrowings ("On Balance Sheet Liquidity & Borrowing Capacity") to assist in the management of our liquidity. We also establish targets of 2.0% for the Cash Liquidity ratio, 8.0% for the On Balance Sheet Liquidity ratio, and 20.0% for the On Balance Sheet Liquidity & Borrowing Capacity ratio.

Our Cash Liquidity ratio, On Balance Sheet Liquidity ratio, and On Balance Sheet Liquidity & Borrowing Capacity ratio averaged 6.7%, 9.6%, and 32.7%, respectively, for the year ended December 31, 2023 compared to 11.2%, 15.5%, and 19.0%, respectively, for the year ended December 31, 2022. We adjust our liquidity levels to fund deposit outflows, pay real estate taxes on real estate loans, repay our borrowings, and to fund loan commitments. We also adjust liquidity as appropriate to meet asset and liability management objectives. However, during the interest rate environment in 2023, we have strategically allowed these metrics to fall below the minimum thresholds at times to provide for the effective management of extension risk and other interest rate risks.

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

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

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Consolidated Statements of Cash Flows included with the Consolidated Financial Statements which begin on page F-1 of the Consolidated Financial Statements in this report.

Our primary investing activities are the origination of construction loans, commercial and industrial loans, multifamily loans, and to a lesser extent, mixed-use real estate loans and other loans. For the years ended December 31, 2023 and 2022, our loan originations totaled $815.8 million and $700.1 million, respectively. Cash received from the sales, calls, maturities and pay-downs on securities totaled $11.2 million and $1.5 million for the years ended December 31, 2023 and 2022, respectively. We purchased $806,000 and $10.0 million in securities for the years ended December 31, 2023 and 2022, respectively.

Deposit flows are generally affected by the level of interest rates we offer, the interest rates and products offered by local competitors, and other factors. Total deposits increased by $278.1 million at December 31, 2023 due to increases in certificates of deposits and NOW/money market deposits, offset by decreases in savings account deposits, and non-interest bearing demand deposits.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of New York to provide advances. As a member of the Federal Home Loan Bank of New York, we are required to own capital stock in the Federal Home Loan Bank of New York and are authorized to apply for advances on the security of such stock and certain of our mortgage loans and other assets (principally securities which are obligations of, or guaranteed by, the United States), provided certain standards related to credit-worthiness have been met. We had an available borrowing limit of $29.7 million and $31.5 million from the Federal Home Loan Bank of New York as of December 31, 2023 and 2022, respectively. Federal Home Loan Bank advances were $14.0 million and $21.0 million at December 31, 2023 and 2022, respectively.

The Federal Reserve Bank of New York ("FRBNY") approved on August 30, 2023 the Bank's eligibility to pledge loans under the Borrower-in-Custody program of the FRBNY thereby allowing the Bank to borrow from the Discount Window at the FRBNY. As of December 31, 2023, we had $50.0 million in FRBNY borrowings and an available borrowing limit of $865.1 million.

In addition, we have a borrowing agreement with Atlantic Community Bankers Bank ("ACBB") to provide short-term borrowings of $8.0 million at December 31, 2023 and 2022. There were no outstanding borrowings with ACBB at December 31, 2023 and 2022.

At December 31, 2023, we had unfunded commitments on construction loans of $489.7 million, outstanding commitments to originate loans of $125.9 million, unfunded commitments under lines of credit of $103.0 million, and unfunded standby letters of credit of $9.5 million. At December 31, 2023, certificates of deposit scheduled to mature in less than one year totaled $596.1 million. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In the event a significant portion of our deposits are not retained by us, we will have to utilize other funding sources, such as various types of sourced deposits, Federal Home Loan Bank advances, and/or FRBNY borrowings, in order to maintain our level of assets. Alternatively, we could reduce our level of liquid assets, such as our cash and cash equivalents. In addition, the cost of such deposits may be significantly higher or lower depending on market interest rates at the time of renewal.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its stockholders, and interest and principal on outstanding debt, if any. The Company's primary sources of income are interest income derived from investments in loans and interest bearing accounts at other financial institutions and dividends received from the Bank. At December 31, 2023, the Company had liquid assets of $4.3 million and $14.1 million in loan participations originated by the Bank which are held by the Company.

Off-Balance Sheet Arrangements

For the year ended December 31, 2023, we did not engage in any off-balance sheet transactions reasonably likely to have a material adverse effect on our financial condition, results of operations or cash-flows.

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see note 24 in the notes to the consolidated financial statements of the Company included in this report.

Impact of Inflation and Changing Prices

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to the section captioned *"Item 7: Management's Discussion and Analysis of Results of Operations and Financial Condition."*

ITEM 8. FINANCIAL STATEMENTS

The information required by this item is included herein beginning on page F-1.

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISLCOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

Management Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15(f). The Company's system of internal control over financial reporting has been designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Any system of internal control over financial reporting, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management has, including the Company's principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. To make this assessment, we used the criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and based on such criteria, we believe that, as of December 31, 2023, the Company's internal control over financial reporting was effective.

Internal Control Over Financial Reporting. During the quarter and year ended December 31, 2023, there were 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 controls over financial reporting.

ITEM 9B. OTHER INFORMATION

During the fiscal quarter ended December 31, 2023, none of our directors or officers informed us of the adoption or termination of a " Rule 10b5 -1 trading arrangement" or " non-Rule 10b5 -1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

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ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The information required by this item is incorporated herein by reference to *"Item 1: Business—Executive Officers"* in this Annual Report on Form 10-K and to the sections captioned " *Proposal 1—Election of Directors*," and "*Corporate Governance*" in our definitive proxy statement for our 2023 annual meeting of stockholders to be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year covered by this Annual Report on Form 10-K (the "Proxy Statement").

Compliance with Section 16(a) of the Securities Exchange Act of 1934

The information required by this item with respect to any delinquent reports filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by referenced to the Proxy Statement.

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct that is designed to ensure that the Company's directors and employees meet the highest standards of ethical conduct. The Code of Ethics and Business Conduct, which applies to all employees and directors, addresses conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and regulations. In addition, the Code of Ethics and Business Conduct is designed to deter wrongdoing and promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations. A copy of the Code of Ethics and Business Conduct is available in the Investor Relations section of our website (www.necb.com).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the section captioned *"Executive Compensation*" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the section captioned *"Security Ownership*" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the sections captioned " *Proposal 1—Election of Directors*," "*Policies and Procedures for Approval of Related Persons Transactions,"* "*Transactions with Related Persons*" and "*Corporate Governance*" in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section captioned *"Proposal 2—Ratification of Appointment of Independent Registered Public Accounting Firm*" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The financial statements required in response to this item are incorporated herein by reference from Item 8 of this Annual Report on Form 10-K.

(2) All financial statement schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

No.	Description	Location
3.1	Articles of Incorporation of NorthEast Community Bancorp, Inc.	Incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021
3.2	Bylaws of NorthEast Community Bancorp, Inc.	Incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021
4.0	Specimen Stock Certificate of NorthEast Community Bancorp, Inc.	Incorporated herein by reference to Exhibit 4.0 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021
4.1	Description of NorthEast Community Bancorp, Inc.'s Common Stock Registered Under Section 12 of the Securities Exchange Act of 1934	Incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the Year Ended December 31, 2022 (File No. 001-40589), filed on March 30, 2023
10.1	Employment Agreement by and between NorthEast Community Bancorp, Inc., NorthEast Community Bank and Kenneth A. Martinek+	Filed herewith
10.2	Employment Agreement by and between NorthEast Community Bancorp, Inc., NorthEast Community Bank and Jose M. Collazo+	Filed herewith
10.3	Employment Agreement by and between NorthEast Community Bancorp, Inc., NorthEast Community Bank and Donald S. Hom+	Incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2023 (File No. 001-40589), filed on august 10, 2023
10.4	NorthEast Community Bank Supplemental Executive Retirement Plan+	Incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021
10.5	NorthEast Community Bank Directors' Deferred Compensation Plan, as amended and restated+	Incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021

10.6	NorthEast Community Bank Outside Director Retirement Plan+	Incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021
10.7	NorthEast Community Bancorp, Inc. Stock-Based Deferred Compensation Plan+	Incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021
10.8	NorthEast Community Bancorp, Inc. 2022 Equity Incentive Plan+	Incorporated by reference to Appendix A to the Company's Definitive Proxy Materials on Schedule 14A (File No. 001-40589), filed on August 19, 2022
10.9	Agreement by and between NorthEast Community Bancorp, MHC, NorthEast Community Bancorp, Inc. and NorthEast Community Bank and Stilwell Activist Fund, L.P., Stilwell Activist Investments, L.P., Stilwell Partners, L.P. and Joseph Stilwell	Incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-253982), initially filed on March 8, 2021
21.0	Subsidiaries	Filed herewith
23.1	Consent of S.R. Snodgrass, P.C.	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith
97	NorthEast Community Bancorp, Inc. Incentive-Compensation Recoupment Policy	Filed herewith
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2023, formatted in inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statement of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements.	Filed herewith
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)	Filed herewith

+ Management contract or compensatory plan, contract or arrangement.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of NorthEast Community Bancorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial condition of NorthEast Community Bancorp, Inc., and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses.*

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

/s/ S.R. Snodgrass, P.C. (PCAOB ID 000 74)

We have served as the Company's auditor since 2021.

Cranberry Township, Pennsylvania

March 28, 2024

Northeast Community Bancorp, Inc.

Consolidated Statements of Financial Condition

	December 31, 2023	December 31, 2022
	(In thousands, except share and per share amounts)	
ASSETS		
Cash and amounts due from depository institutions	$ 13,394	$ 13,210
Interest-bearing deposits	55,277	82,098
Total cash and cash equivalents	68,671	95,308
Certificates of deposit	100	100
Equity securities	18,102	18,041
Securities available-for-sale, at fair value	-	1
Securities held-to-maturity (net of allowance for credit losses of $ 136 , fair value of $ 13,126 and $ 22,865 , respectively)	15,860	26,395
Loans receivable	1,586,721	1,217,321
Deferred loan costs, net	176	372
Allowance for credit losses	(5,093)	(5,474)
Net loans	1,581,804	1,212,219
Premises and equipment, net	25,452	26,063
Investments in restricted stock, at cost	929	1,238
Bank owned life insurance	25,082	25,896
Accrued interest receivable	12,311	8,597
Goodwill	-	200
Real estate owned	1,456	1,456
Property held for investment	1,407	1,444
Right of Use Assets – Operating	4,566	2,312
Right of Use Assets – Financing	351	355
Other assets	8,044	5,338
Total assets	$ 1,764,135	$ 1,424,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 300,184	$ 376,302
Interest bearing	1,099,852	745,653
Total deposits	1,400,036	1,121,955
Advance payments by borrowers for taxes and insurance	2,020	2,369
Borrowings	64,000	21,000
Lease Liability – Operating	4,625	2,363
Lease Liability – Financing	571	533
Accounts payable and accrued expenses	13,558	14,754
Total liabilities	1,484,810	1,162,974

Northeast Community Bancorp, Inc.

Consolidated Statements of Financial Condition (Continued)

	December 31, 2023	December 31, 2022
	(In thousands, except share and per share amounts)	
Stockholders' equity:		
Preferred stock, $ 0.01 par value; 25,000,000 shares authorized; none issued or outstanding	$ —	$ —
Common stock, $ 0.01 par value; 75,000,000 shares authorized; 14,144,856 shares and 16,049,454 shares issued and outstanding, respectively	142	161
Additional paid-in capital	109,924	136,434
Unearned Employee Stock Ownership Plan ("ESOP") shares	(6,563)	(7,432)
Retained earnings	175,505	132,670
Accumulated other comprehensive income	317	156
Total stockholders' equity	279,325	261,989
Total liabilities and stockholders' equity	$ 1,764,135	$ 1,424,963

See notes to consolidated financial statements.

Northeast Community Bancorp, Inc.

Consolidated Statements of Income

	Years Ended December 31,	
	2023	2022
	(In thousands, except per share amounts)	
INTEREST INCOME:		
Loans	$ 127,486	$ 69,992
Interest-earning deposits	4,143	1,260
Securities	859	750
Total Interest Income	132,488	72,002
INTEREST EXPENSE:		
Deposits	34,181	7,544
Borrowings	1,078	546
Financing lease	38	37
Total Interest Expense	35,297	8,127
Net Interest Income	97,191	63,875
Provision for credit loss	972	439
Net Interest Income after Provision for Credit Losses	96,219	63,436
NON-INTEREST INCOME:		
Other loan fees and service charges	1,891	1,994
(Loss) gain on disposition of equipment	(18)	98
Earnings on bank owned life insurance	1,013	604
Investment advisory fees	458	474
Realized and unrealized gain (loss) on equity securities	294	(1,573)
Other	105	86
Total Non-Interest Income	3,743	1,683
NON-INTEREST EXPENSES:		
Salaries and employee benefits	18,839	15,549
Occupancy expense	2,595	2,428
Equipment	1,055	1,107
Outside data processing	2,210	1,886
Advertising	521	299
Impairment loss on goodwill	-	451
Loss on disposition of business	138	-
Real estate owned expense	93	623
Other	9,770	8,347
Total Non-Interest Expenses	35,221	30,690
INCOME BEFORE PROVISION FOR INCOME TAXES	64,741	34,429
PROVISION FOR INCOME TAXES	18,465	9,586
NET INCOME	$ 46,276	$ 24,843
EARNINGS PER COMMON SHARE – BASIC	$ 3.32	$ 1.61
EARNINGS PER COMMON SHARE – DILUTED	3.32	1.58
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	13,930	15,433
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED	13,936	15,726

See notes to consolidated financial statements.

Northeast Community Bancorp, Inc.

Consolidated Statements of Comprehensive Income

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Net Income	$ 46,276	$ 24,843
Other comprehensive income:		
Defined benefit pension:		
Reclassification adjustments out of accumulated other comprehensive income:		
Amortization of actuarial (gain) loss[1]	(32)	27
Actuarial gain arising during period	116	353
Total	84	380
Income tax effect[2]	(24)	—
Tax adjustment - pension liability	101	(85)
Total other comprehensive income	161	295
Total Comprehensive Income	$ 46,437	$ 25,138

(1) Amounts are included in other expenses in the audited consolidated statements of income as part of net periodic pension cost. See Note 17 for further information.

(2) Amounts are included in provision for income taxes in the audited consolidated statements of income.

See notes to consolidated financial statements.

Northeast Community Bancorp, Inc.

Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Number of Shares	Common Stock	Additional Paid- in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
	(In thousands, except share and per share amounts)						
Balance – December 31, 2022	16,049,454	$ 161	$ 136,434	$ (7,432)	$ 132,670	$ 156	$ 261,989
Net income	—	—	—	—	46,276	—	46,276
Other comprehensive income	—	—	—	—	—	161	161
Cash dividend declared ($ 0.24 per share)	—	—	—	—	(3,342)	—	(3,342)
Stock Repurchases	(1,909,476)	(19)	(28,691)	—	—	—	(28,710)
Restricted stock award	4,878	—	—	—	—	—	—
Compensation expense related to restricted stock awards	—	—	968	—	—	—	968
Compensation expense related to stock options	—	—	768	—	—	—	768
Cumulative effect of adoption of ASU 2016-13	—	—	—	—	(99)	—	(99)
ESOP shares earned	—	—	445	869	—	—	1,314
Balance – December 31, 2023	14,144,856	$ 142	$ 109,924	$ (6,563)	$ 175,505	$ 317	$ 279,325

	Number of Shares	Common Stock	Additional Paid- in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(In thousands, except share and per share amounts)						
Balance – December 31, 2021	16,377,936	$ 164	$ 145,335	$ (8,301)	$ 114,323	$ (139)	$ 251,382
Net income	—	—	—	—	24,843	—	24,843
Other comprehensive income	—	—	—	—	—	295	295
Cash dividend declared ($ 0.42 per share)	—	—	—	—	(6,496)	—	(6,496)
Stock Repurchases	(680,519)	(7)	(9,311)	—	—	—	(9,318)
Restricted stock award	352,037	4	(4)	—	—	—	—
Compensation expense related to restricted stock awards	—	—	116	—	—	—	116
Compensation expense related to stock options	—	—	92	—	—	—	92
ESOP shares earned	—	—	206	869	—	—	1,075
Balance – December 31, 2022	16,049,454	$ 161	$ 136,434	$ (7,432)	$ 132,670	$ 156	$ 261,989

See notes to consolidated financial statements.

Northeast Community Bancorp, Inc.

Consolidated Statements of Cash Flows

	Years Ended December 31, 2023	2022
	(In thousands)	
Cash Flows from Operating Activities:		
Net income	$ 46,276	$ 24,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of securities premiums and discounts, net	20	27
Provision for credit losses	972	439
Depreciation	1,219	1,246
Net amortization of deferred loan fees and costs	215	509
Deferred income tax benefit	(367)	(1,308)
Realized and unrealized (gain) loss recognized on equity securities	(294)	1,573
Impairment of goodwill	-	451
Impairment of real estate owned	-	540
Earnings on bank owned life insurance	(1,013)	(604)
Loss on disposition of business	138	-
Loss (gain) on dispositions of premises and equipment	18	(98)
ESOP compensation expense	1,314	1,075
Compensation expense related to stock options	768	92
Compensation expense related to restricted stock	968	116
Increase in accrued interest receivable	(3,714)	(4,314)
Decrease in other assets	149	1,269
Decrease in accounts payable - loan closing	(2,614)	(91)
(Decrease) increase in accounts payable and accrued expenses	(1,220)	1,774
Net Cash Provided by Operating Activities	42,835	27,539
Cash Flows from Investing Activities:		
Net increase in loans	(399,396)	(257,844)
Proceeds from sale of loans	29,666	12,770
Principal repayments on securities available-for-sale	1	—
Principal repayments on securities held-to-maturity	11,183	1,495
Purchase of securities held-to-maturity	(806)	(10,038)
Proceeds from bank owned life insurance	1,827	—
Purchase of FHLB stock	(6)	—
Redemption of FHLB stock	315	331
Purchases of premises and equipment	(626)	(3,304)
Net Cash Used in Investing Activities	(357,842)	(256,590)
Cash Flows from Financing Activities:		
Net increase in deposits	278,081	194,791
Proceeds from FRB borrowing	50,000	—
Repayment of FHLB of NY advances	(7,000)	(7,000)
Stock repurchases	(28,710)	(9,318)
Increase (decrease) in advance payments by borrowers for taxes and insurance	(349)	485
Cash dividends paid	(3,652)	(6,868)
Net Cash Provided by Financing Activities	288,370	172,090
Net Decrease in Cash and Cash Equivalents	(26,637)	(56,961)
Cash and Cash Equivalents – Beginning	95,308	152,269
Cash and Cash Equivalents – Ending	$ 68,671	$ 95,308

Northeast Community Bancorp, Inc.

Consolidated Statements of Cash Flows (Continued)

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Supplementary Cash Flows Information:		
Income taxes paid	$ 20,721	$ 9,195
Interest paid	$ 34,853	$ 8,012
Supplementary Disclosure of Non-Cash Investing and Financing Activities:		
Recognition of right of use asset – operating	$ 4,372	$ 289
Recognition of lease liability – operating	$ 4,372	$ 289
Dividends declared and not paid	$ 849	$ 971
Adoption of ASC 326	$ 99	$ —

See notes to consolidated financial statements.

Northeast Community Bancorp, Inc.

Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Nature of Business:

Northeast Community Bancorp, Inc. (the "Company") is a Maryland corporation that was incorporated in May 2021 to be the successor to NorthEast Community Bancorp, Inc., a federally chartered corporation (the "Mid-Tier Holding Company"), upon completion of the second-step conversion of NorthEast Community Bank (the "Bank") from the two-tier mutual holding company structure to the stock holding company structure. NorthEast Community Bancorp, MHC was the former mutual holding company for the Mid-Tier Holding Company prior to the completion of the second-step conversion. In conjunction with the second-step conversion, each of NorthEast Community Bancorp, MHC and the Mid-Tier Holding Company merged out of existence and now cease to exist.

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

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

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

The Bank also offers investment advisory and financial planning services under the name Harbor West Wealth Management Group, a division of the Bank, through a networking arrangement with a registered broker-dealer and investment advisor. The agreement to sell all the Bank's assets relating to Harbor West Wealth Management Group to a third party was executed in December 2023, with the transaction closing in January 2024.

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

NECB Financial Services Group, LLC ("NECB Financial"), a New York limited liability company and wholly owned subsidiary of the Bank, was formed in the third quarter of 2012 as a complement to Harbor West Wealth Management Group to sell life insurance and fixed rate annuities. NECB Financial is licensed in New York State. We terminated our license in Connecticut on February 22, 2024 due to the sale of all the Bank's assets relating to Harbor West Wealth Management Group to a third party in January 2024.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company, the Bank, NECP, NECB Financial, 72 West Eckerson, 166 Route 59 Realty, and 3 Winterton Realty LLC (collectively the “Company”) and have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant inter-company accounts and transactions have been eliminated in consolidation. The accounting and reporting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and to the rules and regulations of the Securities and Exchange Commission (the “SEC”), including the instructions to Form 10-K and Article 10 of Regulation S-X. When necessary, certain reclassifications were made to prior year amounts to conform with current year presentation.

Use of Estimates:

The preparation of consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect certain recorded amounts and disclosures. Accordingly, actual results could differ from those estimates.

The most significant estimate pertains to the allowance for credit losses. The borrowers’ abilities to meet contractual obligations and collateral value are the most significant assumptions used to arrive at the estimate. The risks associated with such estimates arise when unforeseen conditions affect the borrowers’ abilities to meet the contractual obligations of the loan and result in a decline in the value of the supporting collateral. Such unforeseen changes may have an adverse effect on the consolidated results of operations and financial position of the Company.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company’s allowance for credit losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Cash and Cash Equivalents:

Cash and cash equivalents include cash and amounts due from depository institutions and interest-bearing deposits in other banks, all with original maturities of 90 days or less.

Certificates of Deposit:

Certificates of deposit are carried at cost which approximates fair value and have maturities of less than one year.

Note 1 - Summary of Significant Accounting Policies (continued)

Securities:

The Company classifies its debt securities as held to maturity or available for sale at the time of purchase. Held to maturity securities are those debt securities which management has the intent and the Company has the ability to hold to maturity and are reported at amortized cost. Available-for-sale securities are those debt securities which are neither held to maturity securities nor trading securities and are reported at fair value, with unrealized gains and losses, net of the related income tax effect, excluded from earnings and reported in a separate component of stockholders' equity.

Premiums and discounts on all securities are generally amortized or accreted to the maturity date utilizing the level-yield method taking into consideration the impact of principal amortization and prepayments, as applicable. Gain or loss on sales of securities is based on the specific identification method.

Effective January 1, 2023, the Company adopted the provisions of ASC 326 and modified its accounting policy for the assessment of available for sale securities for impairment. Under ASC 326, for available-for-sale securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more than likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities available-for-sale that do not meet the above criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating by a rating agency, and adverse conditions related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of tax.

The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

Under ASC 326, changes in the allowance for credit losses are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Equity securities are carried at fair value with changes in fair value reported in income.

Loans Receivable:

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

Note 1 - Summary of Significant Accounting Policies (continued)

Prepayment penalties received on loans which pay in full prior to the scheduled maturity are included in interest income in the period the prepayment penalties are collected.

Accounting Pronouncements Adopted in 2023:

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

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

The following table illustrates the impact of adopting ASC 326:

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

Allowance for Credit Losses - Loans

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

The Company estimates the allowance for credit losses related to loans via a quantitative analysis which considers relevant available information from internal and external sources related to past events and current conditions, as well as the incorporation of reasonable and supportable forecasts. The Company evaluates a variety of factors including third party economic forecasts, industry trends and other available published economic information in arriving at its forecasts. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications.

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

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

On a case-by-case basis, the Company may conclude that a loan should be evaluated on an individual basis based on the loan's disparate risk characteristics. When the Company determines that a loan no longer shares similar risk characteristics with other loans in the portfolio, the allowance will be determined on an individual basis using the present value of expected cash flows or, the loan's observable market price or, for collateral-dependent loans, the fair value of the collateral as of the reporting date, less estimated selling costs, as applicable. If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will charge off the difference between the fair value of the collateral, less costs to sell at the reporting date and the amortized cost basis of the loan.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

Allowance for Credit Losses Related to Off-Balance Sheet Credit Exposures

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

Based on management's comprehensive analysis of the credit portfolio, management believes the allowance for credit losses is appropriate as of December 31, 2023 and 2022, respectively.

Concentration of Risk:

The Company's lending activity is concentrated in construction and permanent loans secured by multi-family and non-residential real estate located primarily in the Northeast and Mid-Atlantic regions of the United States. As of December 31, 2023 and 2022, the Company had majority of construction loans located in New York state, including $ 626.0 million and $ 440.6 million in the Bronx, $ 198.5 million and $ 122.4 million in the Town of Monroe, $ 133.7 million and $ 103.8 million in the Hamlet of Monsey, $ 105.9 million and $ 104.3 million in the Village of Spring Valley, and $ 18.8 million and $ 31.8 million in Brooklyn.

The Company also had deposits in excess of the FDIC insurance limit at other financial institutions. At December 31, 2023 and 2022, such deposits totaled $ 43.2 million and $ 59.0 million held by the Federal Reserve Bank of New York, $ 13.7 million and $ 26.4 million held by the Federal Home Loan Bank of New York, and $ 430,000 and $ 1.0 million held by Atlantic Community Bankers Bank ("ACBB"). Generally, deposits in excess of $250,000 are not insured by the FDIC.

Premises and Equipment:

Land is stated at cost. Buildings and improvements, leasehold improvements and furnishings and equipment are stated at cost less accumulated depreciation and amortization computed on the straight-line method over the following useful lives:

	Years
Buildings	30 – 50
Building improvements	10 – 50
Leasehold improvements	1 – 15
Furnishings and equipment	3 – 5

Maintenance and repairs are charged to operations in the years incurred.

Northeast Community Bancorp, Inc.

Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies (continued)

Property and equipment are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable. In evaluating property and equipment for recoverability, we use our best estimate of future cash flows expected to result from the use of the asset and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than the carrying amount, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value. The Company did not have impairment recorded for property and equipment in 2023 and 2022.

Bank Owned Life Insurance ("BOLI"):

The Company owns life insurance on the lives of certain of its officers. The cash surrender value is recorded as an asset and the change in cash surrender value is included in non-interest income and is tax-exempt. The BOLI can be liquidated, if necessary, with tax consequences. However, the Company intends to hold these policies and, accordingly, the Company has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Investments in Restricted Stock:

Federal law requires a member institution of the Federal Home Loan Bank ("FHLB") system to hold stock of its district FHLB according to a predetermined formula. The Company also owns restricted stock in Atlantic Community Bancshares, Inc. (ACBI), holding company of ACBB, a correspondent banker's bank. These stocks are carried at cost. At December 31, 2023 and 2022, the Company had $ 859,000 and $ 1.2 million in FHLB stock, and $ 70,000 and $ 70,000 in ACBB stocks.

Goodwill:

Goodwill at December 31, 2023 and 2022 totaled zero and $ 200,000 , respectively, and consists of goodwill acquired in the business combination completed by the Company in November 2007. The Company tests goodwill during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist. The Company utilizes a two-step approach. The first step requires a comparison of the carrying value of the reporting unit to the fair value of the unit. The Company estimates the fair value of the reporting unit through internal analyses and external valuation, which utilizes an income approach based on the present value of future cash flows. If the carrying value of the reporting unit exceeds its fair value, impairment exists and the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test, if necessary, compares the implied fair value of a reporting unit's goodwill with its carrying value.

The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of the reporting unit to all of the assets and liabilities of that unit, including identifiable intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. Impairment charges of $ 451,000 were recorded in 2022 due to increased capitalization rate when evaluating the investment value of the goodwill. As of December 31, 2023, the goodwill was eliminated along with the sale of Harbor West Wealth Management Group to a third party in December 2023. The sale resulted in a total of $ 138,000 loss recognized on the consolidated statement of income.

Real Estate Owned:

Real estate owned is carried at the lower of cost or fair value of the related property, as determined by current appraisals less estimated costs to sell. Foreclosed real estate is initially recorded at the fair value of property acquired minus estimated costs to sell at the date of foreclosure, establishing a new cost basis. Write-downs on these properties, which occur after the initial transfer from the loan portfolio, are recorded as operating expenses. Costs of holding such properties are charged to non-interest expense in the current period. Gains, to the extent allowable, and losses

Note 1 - Summary of Significant Accounting Policies (continued)

on the disposition of these properties are reflected in the real estate owned expense in the consolidated statement of income. The Company wrote down $ 540,000 in 2022 due to increased capitalization rate in evaluating the fair value of the properties. No write-downs were recorded in 2023.

Property Held for Investment:

Land is stated at cost. Buildings and improvements are stated at cost less accumulated depreciation computed on the straight-line method over the useful lives between 30 to 50 years for buildings and 10 to 50 years for building improvements.

Property held for investment is evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable. In evaluating property held for investment for recoverability, we use our best estimate of future cash flows expected to result from the use of the asset and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than the carrying amount, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value. The Company did not have impairment recorded for property held for investment in 2023 and 2022.

Income Taxes:

The Company files a consolidated federal income tax return. Income taxes are allocated to the Company, Bank, NECP, and NECB Financial based upon their respective income or loss included in the consolidated income tax return. The Company, the Bank, NECP, and NECB Financial file combined or separate state and city income tax returns depending on the particular requirements of each jurisdiction.

Federal, state and city income tax expense has been provided on the basis of reported income. The amounts reflected on the tax returns differ from these provisions due principally to temporary differences in the reporting of certain items for financial reporting and income tax reporting purposes. The tax effect of these temporary differences is accounted for as deferred taxes applicable to future periods. Deferred income tax expense or benefit is determined by recognizing deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax base. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The realization of deferred tax assets is assessed and a valuation allowance provided, when necessary, for that portion of the asset, which is not more likely than not to be realized.

The Company accounts for uncertainty in income taxes recognized in its consolidated financial statements in accordance with ASC Topic 740, “Income Taxes”, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has not identified any significant income tax uncertainties through the evaluation of its income tax positions for the years ended December 31, 2023 and 2022, and has not recognized any liabilities for tax uncertainties as of December 31, 2023 and 2022. The Company’s policy is to recognize income tax related interest and penalties in income tax expense; there were no such amounts during the years ended December 31, 2023 and 2022. The tax years subject to examination by federal, state, and city taxing authorities are 2020 through 2023.

Other Comprehensive Income (Loss):

The Company records in accumulated other comprehensive income (loss), net of related deferred income taxes, unrealized gains and losses on available for sale securities and the prior service cost and actuarial gains and losses related to the Outside Directors Retirement Plan (“DRP”) that have not yet been recognized in expense.

Northeast Community Bancorp, Inc.

Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies (continued)

Gains and losses on the sale of securities, if any, are reclassified to non-interest income upon the sale of the related securities or upon the recognition of a security impairment loss and a portion of the prior service cost and actuarial gains and losses of the DRP are reclassified to non-interest expense.

At December 31, 2023, accumulated other comprehensive income totaled $ 317,000 and included $ 352,000 in prior service cost and actuarial gains of the DRP net of $ 35,000 of related deferred income benefits. At December 31, 2022, accumulated other comprehensive income totaled $ 156,000 and included $ 197,000 in prior service cost and actuarial losses of the DRP net of $ 41,000 of related deferred income taxes.

Earnings per Share:

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

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

	December 31,	
	2023	2022
	(In Thousands, except per share data)	
Net income (basic and diluted)	$ 46,276	$ 24,843
Weighted average shares issued	14,983	16,309
Less: Weighted average unearned ESOP shares	(736)	(822)
Less: Weighted average unvested restricted shares	(317)	(54)
Basic weighted average shares outstanding	13,930	15,433
Add: Dilutive effect of restricted stock	6	293
Add: Dilutive effect of stock option	—	—
Diluted weighted average shares outstanding	13,936	15,726
Net income per share		
Basic	$ 3.32	$ 1.61
Diluted	$ 3.32	$ 1.58

There were 880,097 stock options outstanding at December 31, 2023 and 2022 respectively that were not included in the computation of diluted earnings per share as their effect would have been anti-dilutive.

Stockholders' Equity:

The authorized capital stock of the Company under its federal charter consists of 75,000,000 shares of common stock, par value of $ 0.01 per share, and 25,000,000 shares of preferred stock, par value of $ 0.01 per share. Each share of common stock has the same relative rights as, and is identical in all respects with, each other share of common stock. At December 31, 2023 and 2022, the Company has issued and outstanding 14,144,856 and 16,049,454 shares of common stock. The Company has not issued any preferred stock.

Note 1 - Summary of Significant Accounting Policies (continued)

Employee Stock Ownership Plan (ESOP):

The cost of shares issued to the ESOP, but not yet allocated to participants, is shown as a reduction of shareholders' equity. Compensation expense is based on the market price of shares as they are committed to be released to participant accounts. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings. Dividends on unallocated ESOP shares are recorded as a reduction of the ESOP loan.

Restricted Stock:

The Company recognizes compensation expense for the fair value of the restricted stock on a straight-line basis over the requisite service period for the entire award. The product of the number of shares granted and the grant date market price of the Company's common stock determines the fair value of restricted stock under the Company's 2022 Equity Incentive Plan.

Stock Option Plan:

The Company recognizes the value of share-based payment transactions as compensation costs in the financial statements over the period that an employee provides service in exchange for the award. The fair value of the share-based payments for stock options is estimated using the Black-Scholes option-pricing model on the grant date. The Company accounts for forfeitures as they occur.

Stock Repurchases:

The Company records common stock repurchases at cost and retires the common shares with a charge to common stock and additional paid-in capital.

Segment Information:

The Company reports certain financial information about significant revenue-producing segments of the business for which such information is available and utilized by the chief operating decision makers. Substantially most of the Company's operations occur through the bank and involve the delivery of loan and deposit products to customers. Small portion of the Company's operations occurs through wealth management advisory service to customers. Management makes operating decisions and assesses performance based on an ongoing review of its banking and advisory service. The wealth management operation does not meet the quantitative threshold requirement to be disclosed separately.

Off-Balance-Sheet Financial Instruments:

In the ordinary course of business, the Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the consolidated statement of financial condition when funded.

Note 2 – Mutual Holding Company Reorganization and Regulatory Matters

On July 5, 2006, the Bank reorganized from a mutual savings bank to a mutual holding company structure. In the reorganization, the Company sold 5,951,250 shares of its common stock to the public and issued 7,273,750 shares of its common stock to Northeast Community Bancorp, MHC ("MHC"). As disclosed in note 1, in conjunction with the completion of the second-step conversion on July 12, 2021, each of NorthEast Community Bancorp, MHC and the Mid-Tier Holding Company merged out of existence and now cease to exist.

Note 2 – Mutual Holding Company Reorganization and Regulatory Matters (continued)

The Federal Deposit Insurance Corporation ("FDIC") and the New York State Department of Financial Services ("NYS") are the Bank's primary regulator. Under New York State Banking Law, New York state-chartered stock-form savings banks may declare and pay dividends out of their net profits, unless there is an impairment of capital, but approval of the NYS Superintendent is required if the total of all dividends declared by the bank in a calendar year would exceed the total of its net profits for that year combined with its retained net profits for the preceding two years less prior dividends paid. The FDIC also has authority to use its enforcement powers to prohibit a savings bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe and unsound practice.

The Bank is subject to risk-based capital standards by which banks are evaluated in terms of capital adequacy. These regulatory capital requirements are administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital and classification are also subject to qualitative judgments by the regulators. Management believes that, as of December 31, 2023, the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2023 and 2022, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

In addition, a capital conservation buffer of 2.50 % is applicable to all capital ratios except for the Tier 1 Leverage ratio. The capital conservation buffer is equal to the lowest value of the three applicable capital ratios less the regulatory minimum ("adequately capitalized") for each respective capital measurement. Compliance with the capital conservation buffer is required to avoid limitations on certain capital distributions, especially dividends. The Bank is required to maintain a capital conservation buffer of 2.50 % at December 31, 2023 and 2022. The Bank met all capital adequacy requirements to which it was subject as of December 31, 2023 and 2022.

Actual and required capital amounts and ratios as of December 31, 2023 and 2022, are presented below:

	Actual		Regulatory Capital Requirements: Minimum Capital Adequacy (1)		Regulatory Capital Requirements: For Classification as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of December 31, 2023:						
Total capital (to risk-weighted assets)	$ 255,252	13.43 %	$≥ 152,097	≥ 8.00 %	$≥ 190,121	≥ 10.00 %
Tier 1 capital (to risk-weighted assets)	249,013	13.10	≥ 114,072	≥ 6.00	≥ 152,097	≥ 8.00
Common equity tier 1 capital (to risk-weighted assets)	249,013	13.10	≥ 85,554	≥ 4.50	≥ 123,579	≥ 6.50
Core (Tier 1) capital (to adjusted total assets)	249,013	14.43	≥ 69,007	≥ 4.00	≥ 86,259	≥ 5.00
As of December 31, 2022:						
Total capital (to risk-weighted assets)	$ 222,728	13.66 %	$≥ 130,429	≥ 8.00 %	$≥ 163,036	≥ 10.00 %
Tier 1 capital (to risk-weighted assets)	217,283	13.33	≥ 97,822	≥ 6.00	≥ 130,429	≥ 8.00
Common equity tier 1 capital (to risk-weighted assets)	217,283	13.33	≥ 73,366	≥ 4.50	≥ 105,973	≥ 6.50
Core (Tier 1) capital (to adjusted total assets)	217,283	16.50	≥ 52,687	≥ 4.00	≥ 65,858	≥ 5.00

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

Note 3 - Financial Instruments with Off-Balance Sheet Risk

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 are commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition.

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.

	December 31, 2023	December 31, 2022
	(In Thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 125,885	$ 164,903
Construction loans in process	481,277	637,427
Stand-by letters of credit	9,508	12,451
Commitments to fund unused lines of credit:		
Commercial and industrial lines	102,903	133,794
Consumer lines	67	86
	$ 719,640	$ 948,661

Commitments to extend credit are legally binding 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 amount of collateral obtained, if deemed necessary by the Company, is based on management's credit evaluation of the borrower.

Note 4 – Equity Securities

The following table is the schedule of Equity Securities at December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
	(In Thousands)	
Equity Securities, at Fair Value	$ 18,102	$ 18,041

The following is a summary of realized and unrealized losses recognized in net income on equity securities during the year ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
	(In Thousands)	
Net unrealized gain (loss) recognized on equity securities during the period	$ 61	$ (1,902)
Capital gain realized on equity securities during the period	233	329
Net losses realized on the sale of equity securities during the period	—	—
Realized and unrealized net gain (loss) recognized on equity securities held at the reporting date	$ 294	$ (1,573)

Note 5 – Securities Available-for-Sale

The Company's portfolio of securities available-for-sale was zero at December 31, 2023. The following table summarized the portfolio at December 31, 2022:

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

There were no sales of securities available-for-sale during the years ended December 31, 2023 and 2022. The Company had no unrealized loss on securities available-for-sale at December 31, 2023 and 2022.

Note 6 – Securities Held-to-Maturity

The following table summarized the Company's portfolio of securities held-to-maturity at December 31, 2023 and 2022. No securities held-to-maturity were pledged to secure borrowings.

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Loss
	(In Thousands)				
Mortgage-backed securities – residential:					
Government National Mortgage Association	$ 452	$ —	$ 7	$ 445	$ —
Federal Home Loan Mortgage Corporation	868	—	114	754	—
Federal National Mortgage Association	1,985	—	198	1,787	—
Collateralized mortgage obligations – GSE	2,889	—	580	2,309	—
Total mortgage-backed securities	6,194	—	899	5,295	—
Municipal Bonds	9,802	—	1,971	7,831	136
	$ 15,996	$ —	$ 2,870	$ 13,126	$ 136

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

Contractual final maturities of mortgage-backed securities and municipal bonds were as follows at December 31, 2023:

	December 31, 2023	
	Amortized Cost	Fair Value
	(In Thousands)	
Due within one year	$ 712	$ 639
Due after one but within five years	2,024	1,733
Due after five but within ten years	2,872	2,666
Due after ten years	10,388	8,088
	$ 15,996	$ 13,126

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

Note 6 – Securities Held-to-Maturity (continued)

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

	Municipal Bonds
Balance – December 31, 2022	$ -
Impact of adopting ASC 326	132
Provision for credit loss	4
Balance - December 31, 2023	$ 136

The age of unrealized losses and the fair value of related securities held-to-maturity were as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Thousands)					
December 31, 2023:						
Mortgage-backed securities - residential:						
Government National Mortgage Association	$ —	$ —	$ 445	$ 7	$ 445	$ 7
Federal Home Loan Mortgage Corporation	—	—	754	114	754	114
Federal National Mortgage Association	—	—	1,787	198	1,787	198
Collateralized mortgage obligations – GSE	—	—	2,309	580	2,309	580
Total mortgage-backed securities	$ —	$ —	$ 5,295	$ 899	$ 5,295	$ 899

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

Note 6 – Securities Held-to-Maturity (continued)

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

Note 7 - Loans Receivable and the Allowance for Credit Losses

The composition of loans were as follows at December 31:

	December 31,	
	2023	2022
	(In Thousands)	
Residential real estate:		
One-to-four family	$ 5,252	$ 5,467
Multi-family	198,927	123,385
Mixed-use	29,643	21,902
Total residential real estate	233,822	150,754
Non-residential real estate	21,130	25,324
Construction	1,219,413	930,628
Commercial and industrial	111,116	110,069
Consumer	1,240	546
Total Loans	1,586,721	1,217,321
Deferred loan costs, net	176	372
Allowance for credit losses	(5,093)	(5,474)
	$ 1,581,804	$ 1,212,219

Loans serviced for the benefit of others totaled approximately $ 40,729,000 and $ 22,350,000 at December 31, 2023 and 2022, respectively. The value of mortgage servicing rights was not material at December 31, 2023 and 2022.

The Company sold loan participations totaling $ 19.2 million and $ 11.5 million in 2023 and 2022. During the year ended December 31, 2023, the Company sold three loans with the same borrower totaling $ 10.4 million with a charge-off of $ 159,000 recognized on the sale. During the year ended December 31, 2022, the Company sold one loan totaling $ 1,578,000 , net of interest reserve of $ 63,000 , with a charge-off of $ 391,000 recognized on the sale.

Note 7 - Loans Receivable and the Allowance for Credit Losses (continued)

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

At December 31, 2023:

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for credit losses:							
Ending balance	$ 2,433	$ 126	$ 1,914	$ 472	$ 148	$ —	$ 5,093
Ending balance: individually evaluated for credit loss	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for credit loss	$ 2,433	$ 126	$ 1,914	$ 472	$ 148	$ —	$ 5,093
Loans receivable:							
Ending balance	$ 233,822	$ 21,130	$ 1,219,413	$ 111,116	$ 1,240	$ —	$ 1,586,721
Ending balance: individually evaluated for credit loss	$ —	$ —	$ 4,385	$ —	$ —	$ —	$ 4,385
Ending balance: collectively evaluated for credit loss	$ 233,822	$ 21,130	$ 1,215,028	$ 111,116	$ 1,240	$ —	$ 1,582,336

At December 31, 2022:

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for loan losses:							
Ending balance	$ 528	$ 131	$ 3,835	$ 955	$ 18	$ 7	$ 5,474
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 528	$ 131	$ 3,835	$ 955	$ 18	$ 7	$ 5,474
Loans receivable:							
Ending balance	$ 150,754	$ 25,324	$ 930,628	$ 110,069	$ 546	$ —	$ 1,217,321
Ending balance: individually evaluated for impairment	$ 855	$ —	$ —	$ —	$ —	$ —	$ 855
Ending balance: collectively evaluated for impairment	$ 149,899	$ 25,324	$ 930,628	$ 118,378	$ 546	$ —	$ 1,216,466

Note 7 - Loans Receivable and the Allowance for Credit Losses (continued)

The activity in the allowance for credit loss by loan class for the years ended December 31, 2023 and 2022 was as follows:

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for credit losses:							
Balance - December 31, 2022	$ 528	$ 131	$ 3,835	$ 955	$ 18	$ 7	$ 5,474
Impact of adopting ASC 326	895	7	(2,086)	(437)	44	(7)	(1,584)
Charge-offs	—	—	(159)	—	(154)	—	(313)
Recoveries	—	—	—	—	—	—	—
Provision (Benefit)	1,010	(12)	324	(46)	240	—	1,516
Balance - December 31, 2023	$ 2,433	$ 126	$ 1,914	$ 472	$ 148	$ —	$ 5,093

	Residential Real Estate	Non-residential Real Estate	Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(In Thousands)			
Allowance for loan losses:							
Balance - December 31, 2021	$ 571	$ 381	$ 3,143	$ 973	$ 10	$ 164	$ 5,242
Charge-offs	(86)	—	(328)	—	(35)	—	(449)
Recoveries	189	53	—	—	—	—	242
Provision (Benefit)	(146)	(303)	1,020	(18)	43	(157)	439
Balance - December 31, 2022	$ 528	$ 131	$ 3,835	$ 955	$ 18	$ 7	$ 5,474

During the year ended December 31, 2023, the provision expenses recorded for construction loans were primarily attributed to the increased loan balances. The provision expenses recorded for residential loans was primarily due to increased loan balances and increased average contractual terms of the loans. The provision expenses recorded for consumer loans was primarily due to increased deposit account overdraft balance and increased credit risk.

During the year ended December 31, 2022, the provision expenses recorded for construction loans were attributed to the increased loan balances. The credit provision recorded for residential loans was primarily due to loan recoveries and reduced credit risk. The credit provision recorded for non-residential loans was attributed to loan recoveries and decreased loan balances.

Note 7 - Loans Receivable and the Allowance for Credit Losses (continued)

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

As of and for the Year Ended December 31, 2023:

2023 - Individually evaluated	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In Thousands)		
With no related allowance recorded:					
Residential real estate	$ —	$ —	$ —	$ —	$ —
Non-residential real estate	—	—	—	—	—
Construction	4,385	4,353	—	5,930	—
Commercial and industrial	—	—	—	—	—
	4,385	4,353	—	5,930	—
With an allowance recorded	—	—	—	—	—
Total:					
Residential real estate	—	—	—	—	—
Non-residential real estate	—	—	—	—	—
Construction	4,385	4,353	—	5,930	—
Commercial and industrial	—	—	—	—	—
	$ 4,385	$ 4,353	$ —	$ 5,930	$ —

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

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

Note 7 - Loans Receivable and the Allowance for Credit Losses (continued)

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

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

Age Analysis of Past Due Loans as of December 31, 2023:

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
				(In Thousands)			
Residential real estate:							
One- to four-family	$ —	$ —	$ —	$ —	$ 5,252	$ 5,252	$ —
Multi-family	—	—	—	—	198,927	198,927	—
Mixed-use	—	—	—	—	29,643	29,643	—
Non-residential real estate	—	—	—	—	21,130	21,130	—
Construction loans	2,319	—	4,385	6,704	1,212,709	1,219,413	—
Commercial and industrial loans	—	—	—	—	111,116	111,116	—
Consumer	1	—	—	1	1,239	1,240	—
	$ 2,320	$ —	$ 4,385	$ 6,705	$ 1,580,016	$ 1,586,721	$ —

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

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

Note 7 - Loans Receivable and the Allowance for Credit Losses (continued)

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. The Company uses the following definitions for risk ratings:

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

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

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

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

Note 7 - Loans Receivable and the Allowance for Credit Losses (continued)

The following table presents the risk category of loans at December 31, 2023 by loan segment and vintage year:

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Residential real estate									
Risk Rating									
Pass	$ 81,379	$ 71,932	$ 24,504	$ 10,696	$ 1,326	$ 43,070	$ -	$ -	$ 232,907
Special Mention	-	-	-	915	-	-	-	-	915
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 81,379	$ 71,932	$ 24,504	$ 11,611	$ 1,326	$ 43,070	$ -	$ -	$ 233,822
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-residential real estate									
Risk Rating									
Pass	$ 1,602	$ 251	$ 1,841	$ 995	$ 379	$ 16,062	$ -	$ -	$ 21,130
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,602	$ 251	$ 1,841	$ 995	$ 379	$ 16,062	$ -	$ -	$ 21,130
Non-residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction									
Risk Rating									
Pass	$ 376,763	$ 501,012	$ 216,901	$ 55,865	$ 25,150	$ 39,337	$ -	$ -	$ 1,215,028
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	4,385	-	-	-	-	4,385
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 376,763	$ 501,012	$ 216,901	$ 60,250	$ 25,150	$ 39,337	$ -	$ -	$ 1,219,413
Construction									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 159	$ -	$ -	$ 159
Commercial and industrial									
Risk Rating									
Pass	$ 5,057	$ 8,329	$ 436	$ 435	$ 308	$ 2,195	$ 91,301	$ 3,055	$ 111,116
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 5,057	$ 8,329	$ 436	$ 435	$ 308	$ 2,195	$ 91,301	$ 3,055	$ 111,116
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer									
Risk Rating									
Pass	$ 1,229	$ -	$ -	$ -	$ -	$	$ 11	$ -	$ 1,240
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,229	$ -	$ -	$ -	$ -	$ -	$ 11	$ -	$ 1,240
Consumer									
Current period gross charge-offs	$ 154	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 154
Total									
Risk Rating									
Pass	$ 466,030	$ 581,524	$ 243,682	$ 67,991	$ 27,163	$ 100,664	$ 91,312	$ 3,055	$ 1,581,421
Special Mention	-	-	-	915	-	-	-	-	915
Substandard	-	-	-	4,385	-	-	-	-	4,385
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 466,030	$ 581,524	$ 243,682	$ 73,291	$ 27,163	$ 100,664	$ 91,312	$ 3,055	$ 1,586,721
Total									
Current period gross charge-offs	$ 154	$ -	$ -	$ -	$ -	$ 159	$ -	$ -	$ 313

Note 7 - Loans Receivable and the Allowance for Credit Losses (continued)

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

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

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

Modifications to Borrowers Experiencing Financial Difficulty:

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

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

There were no loans modified to borrowers experiencing financial difficulty during the years ended December 31, 2023 and 2022.

Allowance for Credit Losses on Off-Balance Sheet Commitments:

The following table presents the activity in the allowance for credit losses related to off-balance sheet commitments, that is included in Accounts Payable and Accrued Expenses on the consolidated statement of financial condition, for the year ended December 31, 2023:

	Allowance for Credit Loss
Balance – December 31, 2022	$ -
Impact of adopting ASC 326	1,586
Provision for credit loss	(548)
Balance – December 31, 2023	$ 1,038

Note 8 - Premises and Equipment, Net

	December 31, 2023	December 31, 2022
	(In Thousands)	
Land	$ 6,652	$ 6,652
Buildings and improvements	22,912	22,647
Leasehold improvements	1,805	1,741
Furnishings and equipment	8,051	7,880
	39,420	38,920
Accumulated depreciation and amortization	(13,968)	(12,857)
	$ 25,452	$ 26,063

Depreciation expense on premises and equipment for the fiscal years ended December 31, 2023 and 2022 totaled $ 1.2 million and $ 1.2 million, respectively.

Note 9 - Accrued Interest Receivable, Net

	December 31, 2023	December 31, 2022
	(In Thousands)	
Loans receivable	$ 12,273	$ 8,532
Securities	38	65
	$ 12,311	$ 8,597

Note 10 - Goodwill and Intangible Assets

Goodwill and intangible assets at December 31 are summarized as follows:

	December 31, 2023	December 31, 2022
	(In Thousands)	
Goodwill	$ —	$ 1,310
Accumulative goodwill impairment	—	(1,110)
Goodwill, net of charge-off	$ —	$ 200

As of December 31, 2023, the goodwill was eliminated along with the sale of Harbor West Wealth Management Group to a third party in December 2023. The sale resulted in a total of $ 138,000 loss recognized on the consolidated statement of income. The Company identified $ 451,000 in goodwill impairment during the year ended December 31, 2022.

Note 11 - Real Estate Owned ("REO")

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

Further declines in real estate values may result in impairment charges in the future. Routine holding costs are charged to expense as incurred and improvements to real estate owned that enhance the value of the real estate are capitalized. REO expense recorded in the consolidated statements of income, including loss on sales and write-downs, amounted to $ 93,000 and $ 623,000 during the years ended December 31, 2023 and 2022.

Note 12– Property Held For Investment

Property held for investment at December 31 are summarized as follows:

	December 31, 2023	December 31, 2022
	(In Thousands)	
Land	$ 500	$ 500
Buildings and improvements	1,442	1,442
	1,942	1,942
Accumulated depreciation and amortization	(535)	(498)
	$ 1,407	$ 1,444

The Company owned one property at December 31, 2023 and 2022 consisting of a former branch office located in Plymouth, Massachusetts. The property is currently leased to a car rental company to generate current income for the Company.

Note 13 – Deposits

Total deposits at December 31, 2023 and 2022 and the weighted average rate of deposits are as follows:

	December 31,			
	2023		2022	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	(Dollars in Thousands)			
Demand deposits:				
Non-interest bearing	$ 300,184	— %	$ 376,302	— %
NOW and money market	144,807	3.07 %	88,122	0.95 %
Total	444,991	1.00 %	464,424	0.18 %
Savings accounts	192,594	2.71 %	273,839	2.68 %
Certificates of deposit maturing in:				
One year or less	596,091	4.83 %	258,873	3.11 %
After one to two years	81,118	3.24 %	76,180	2.78 %
After two to three years	1,462	0.72 %	34,204	0.61 %
After three to four years	12,371	1.31 %	1,318	0.75 %
After four years	71,409	5.03 %	13,117	1.28 %
Total	762,451	4.62 %	383,692	2.75 %
	$ 1,400,036	3.20 %	$ 1,121,955	1.67 %

As of December 31, 2023 and 2022, certificates of deposits equal to or in excess of $250,000 totaled approximately $ 178,112,000 and $ 205,845,000 , respectively. At December 31, 2023 and 2022, the demand deposit overdrafts totaled $ 1,229,000 and $ 517,000 . Overdraft deposits are reclassified as consumer loans and are included in the total loans on the Consolidated Statements of Financial Condition.

The aggregate amount of brokered deposits was $ 311.2 million and $ 114.2 million as of December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Company also had $ 13.0 million and $ 10.9 million, respectively, in Insured Cash Sweep ("ICS") reciprocal money market deposits, which are no longer considered fully-insured brokered deposits as defined in the FDIC call report instructions.

Note 13 – Deposits (continued)

The ICS money market deposits were obtained from seven retail depositors and then transferred into the ICS Network in order to obtain full FDIC insurance coverage for our customers. These types of deposits are known in the ICS Network as reciprocal deposits, which the Company considers as core deposits and not brokered deposits.

Interest expense on deposits consists of the following:

	Years Ended December 31, 2023	Years Ended December 31, 2022
	(In Thousands)	
Demand deposits	$ 2,459	$ 918
Savings accounts	6,777	2,688
Certificates of deposit	24,945	3,938
	$ 34,181	$ 7,544

Note 14 – Borrowings

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

FHLB advances are summarized as follows at December 31:

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

At December 31, 2023, none of the above advances were subject to early call or redemption features. All advances had fixed interest rates and the term of the advance ranges between 2 and 10 years . At December 31, 2023, the advances were secured by a pledge of the Company's investment in the capital stock of the FHLB and a blanket assignment of the Company's otherwise unpledged qualifying mortgage loans. At December 31, 2023, these unpledged qualifying mortgage loans were not pledged to any company other than the FHLB. At December 31, 2023, the Company had the ability to borrow $ 29.7 million, net of $ 14.0 million in outstanding advances, from the FHLB and $ 8.0 million from ACBB.

On August 30, 2023, the FRBNY approved the Company's eligibility to pledge loans under the Borrower-in-Custody program of the FRBNY thereby allowing the Company to borrow from the Discount Window at the FRBNY. As of December 31, 2023, the borrowing from FRBNY was $ 50.0 million, bearing an interest rate of 5.5 % and matures on March 20, 2024. The Company had an available borrowing limit of $ 865.1 million from the FRBNY as of December 31, 2023.

Note 15 - Income Taxes

The Bank qualifies as a savings institution under the provisions of the Internal Revenue Code and was, therefore, prior to January 1, 1996, permitted to deduct from taxable income an allowance for bad debts based upon eight percent of taxable income before such deduction, less certain adjustments. Retained earnings at December 31, 2023 and 2022, include approximately $ 4.1 million of such bad debt deductions which, in accordance with U.S. GAAP is considered a permanent difference between the book and income tax basis of loans receivable, and for which deferred income taxes have not been provided. If such amount is used for purposes other than for bad debt losses, including distributions in liquidation, it will be subject to income tax at the then current rate.

The components of provision for income taxes are summarized as follows:

	Years Ended December 31,	
	2023	2022
	(In Thousands)	
Current tax expense	$ 18,832	$ 10,894
Deferred tax expense	(367)	(1,308)
	$ 18,465	$ 9,586

The following table presents a reconciliation between the reported income taxes and the income taxes, which would be computed by applying the existing federal income tax rate of 21 % for 2023 and 2022 to income before taxes:

	Years Ended December 31,	
	2023	2022
	(Dollars In Thousands)	
Federal income tax at statutory rates	$ 13,596	$ 7,230
State and city tax, net of federal income tax effect	4,851	2,321
Non-taxable income on bank owned life insurance	(213)	(127)
Other	231	162
	$ 18,465	$ 9,586
Effective Income Tax Rate	28.5 %	27.8 %

The tax effects of significant items comprising the net deferred tax asset are as follows:

	December 31,	
	2023	2022
	(In Thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 1,313	$ 1,411
State net operating loss carryforwards	24	150
Benefit plans	2,335	2,063
Accumulated other comprehensive loss – DRP	35	—
Other	653	273
Total Deferred Tax Assets	4,360	3,897
Deferred tax liability:		
Depreciation	497	418
Goodwill	—	52
Accumulated other comprehensive gain – DRP	—	42
Total Deferred Tax Liabilities	497	512
Net Deferred Tax Assets Included in Other Assets	$ 3,863	$ 3,385

Note 15 - Income Taxes (continued)

The Company has state net operating loss (NOL) carryforwards totaling approximately $ 500,000 at December 31, 2023 that are available to be carried forward to future years. These NOL carryforwards will start to expire beginning in 2035 if not fully utilized.

At December 31, 2023, the Company had no valuation allowance because the Company determined there will be enough future New York State taxable income to utilize the New York State deferred tax assets.

Note 16 - Other Non-Interest Expenses

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

	Years Ended December 31,	
	2023	2022
	(In Thousands)	
Other	$ 4,043	$ 2,827
Service contracts	1,424	1,092
Consulting expense	780	950
Telephone	673	611
Directors compensation	892	676
Audit and accounting	497	566
Insurance	395	372
Director, officer, and employee expense	252	258
Legal fees	617	765
Office supplies and stationary	167	137
Recruiting expense	30	93
	$ 9,770	$ 8,347

Note 17 - Benefits Plans

Outside Director Retirement Plan ("DRP")

The DRP is an unfunded non-contributory defined benefit pension plan covering all non-employee directors meeting eligibility requirements as specified in the plan document. The following table sets forth the funded status of the DRP and components of net pension periodic expense measured as of December 31:

	Years Ended December 31,	
	2023	2022
	(Dollars In Thousands)	
Projected benefit obligation – beginning	$ 1,808	$ 2,087
Service cost	94	97
Interest cost	85	81
Actuarial gain	(116)	(353)
Benefits Paid	(104)	(104)
Projected benefit obligation – ending	$ 1,767	$ 1,808
Funded status – accrued liability included in accounts payable and accrued expenses	$ 1,767	$ 1,808
Accumulated benefit obligation	$ 1,675	$ 1,712
Discount rate	5.21 %	4.83 %
Rate of increase in future compensation levels	2.00 %	2.00 %

	Years Ended December 31,	
	2023	2022
	(Dollars In Thousands)	
Net periodic pension expense:		
Service cost	$ 94	$ 97
Interest cost	85	81
Actuarial (gain) loss amortized	(32)	27
Total net periodic pension expense included in other non-interest expenses	$ 147	$ 205
Discount rate	5.21 %	4.83 %
Rate of increase in future compensation levels	2.00 %	2.00 %

Benefit payments, which reflect expected future service as appropriate, are expected to be paid for the years ending December 31 as follows (in thousands):

2024	$ 104
2025	190
2026	204
2027	230
2028	230
2029 to 2033	957

At December 31, 2023 and 2022, unrecognized net gain of $ 116,000 and $ 353,000 , respectively, were included in accumulated other comprehensive income.

Supplemental Executive Retirement Plan ("SERP")

The SERP is a non-contributory defined benefit plan that covers certain officers of the Company. Under the SERP, each of these individuals will be entitled to receive upon retirement an annual benefit paid in monthly installments equal to 50 % of his average base salary in the three-year period preceding retirement. Each individual may also retire

Note 17 - Benefits Plans (continued)

Supplemental Executive Retirement Plan ("SERP")(continued)

early and receive a reduced benefit upon the attainment of certain age and years of service combination. Additional terms related to death while employed, death after retirement, disability before retirement and termination of employment are fully described within the plan document. The benefit payment term is the greater of 15 years or the executives remaining life. No benefits are expected to be paid during the next five years.

During the years ended December 31, 2023 and 2022, expenses of $ 143,000 and $ 239,000 , respectively, were recorded for this plan and are reflected in the Consolidated Statements of Income under Salaries and Employee Benefits. At December 31, 2023 and 2022, a liability for this plan of $ 4,160,000 and $ 4,017,000 , respectively, is included in the Consolidated Statements of Financial Condition under Accounts Payable and Accrued Expenses.

401(k) Plan

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

Stock-Based Deferral Plan

In June 2021, the Company established a stock-based deferral plan for eligible key executives and members of the Board of Directors of the Company to elect to defer compensation received from the Company for their services and make deemed investments of that deferred compensation in shares of the Company's common stock. At December 31, 2023 and 2022, the Company did not have any obligations under the plan.

Employee Stock Ownership Plan ("ESOP")

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

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

Each year, the Bank makes discretionary contributions to the ESOP equal to the principal and interest payment required on the loan from the Company. The ESOP may further pay down the principal balance of the loans by using dividends paid, if any, on the shares of Company common stock it owns. The balance remaining on the first ESOP loan was $ 919,000 and $ 1,327,000 at December 31, 2023 and 2022. The balance remaining on the second ESOP loan was $ 6,417,000 and $ 6,850,000 at December 31, 2023 and 2022.

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

ESOP shares initially pledged as collateral were recorded as unearned ESOP shares in the stockholders' equity section of the consolidated statement of financial condition. Thereafter, on a monthly basis over the terms of the ESOP loans, approximately 2,894 shares for the ESOP established in 2006 and approximately 4,348 shares for the ESOP

Northeast Community Bancorp, Inc.

Notes to Consolidated Financial Statements

Note 17 - Benefits Plans (continued)

Employee Stock Ownership Plan ("ESOP")(continued)

established in 2022 are committed to be released respectively. Compensation expense is recorded equal to the shares committed to be released multiplied by the average closing price of the Company's stock during that month. ESOP expense during the years ended December 31, 2023 and 2022, totaled approximately $ 1,314,000 and $ 1,075,000 , respectively. Dividends on unallocated shares, which totaled approximately $ 188,000 and $ 365,000 during 2023 and 2022, respectively, are recorded as a reduction of the ESOP loan. Dividends on allocated shares, which totaled approximately $ 167,000 and $ 255,000 during 2023 and 2022, respectively, are charged to retained earnings.

ESOP shares are summarized as follows:

	December 31,	
	2023	2022
Allocated shares	694,842	607,922
Shares committed to be released	86,920	86,920
Unearned shares	695,647	782,567
Total ESOP Shares	1,477,409	1,477,409
Less allocated shares distributed to former or retired employees	(143,612)	(122,280)
Total ESOP Shares Held by Trustee	1,333,797	1,355,129
Fair value of unearned shares	$ 12,340,778	$ 11,675,897

Note 18 – Stock Based Compensation

At a special shareholders meeting held on September 29, 2022, the Company's shareholders approved the Company's 2022 Equity Incentive Plan whereby 1,369,771 shares of the Company's common stock were reserved from authorized but unissued shares for purposes of grants of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, performance shares and performance units to selected employees and non-employee directors of the Company.

The product of the number of shares granted and the grant date market price of the Company's common stock determine the fair value of restricted stock under the Company's 2022 Equity Incentive plan. Management recognizes compensation expense for the fair value of restricted stock on a straight-line basis over the requisite service period for the entire award. As of December 31, 2023, there were 132,759 shares available for future awards under this plan, which includes 98,311 shares available for stock options and 34,448 shares available for restricted stock awards.

Note 18 – Stock Based Compensation (continued)

A summary of the Company's restricted stock activity and related information for the year ended December 31 follows:

	2023		
	Shares		Weighted Average Market Price
Outstanding, Beginning of year	352,037	$	13.67
Granted	4,878		16.88
Forfeited	—		—
Vested	70,407		—
Outstanding, end of year	286,508	$	13.72

	2022		
	Shares		Weighted Average Market Price
Outstanding, Beginning of year	—	$	—
Granted	352,037		13.67
Forfeited	—		—
Vested	—		—
Outstanding, end of year	352,037	$	13.67

Compensation expense related to restricted stock was $ 968,000 and $ 116,000 for the years ended December 31, 2023 and 2022. At December 31, 2023 and 2022, the total compensation cost related to non-vested awards that has not yet been recognized was $ 3.8 million and $ 4.7 million, which is expected to be recognized over the next 5 years .

Northeast Community Bancorp, Inc.

Notes to Consolidated Financial Statements

Note 18 – Stock Based Compensation (continued)

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2023		
	Options		Weighted Average Exercise Price
Outstanding, Beginning of year	880,097	$	13.67
Granted	—		—
Forfeited	—		—
Exercised	—		—
Outstanding, end of year	880,097	$	13.67
Exercisable at end of year	176,019		13.67

	2022		
	Options		Weighted Average Exercise Price
Outstanding, Beginning of year	—	$	—
Granted	880,097		13.67
Forfeited	—		—
Exercised	—		—
Outstanding, end of year	880,097	$	13.67
Exercisable at end of year	—		—
Weighted average fair value of options granted in current year		$	4.36

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

Pricing Model Assumption Ranges	2022
Risk-free interest rate	3.87 - 3.97 %
Expected volatility	28.79 - 28.94 %
Expected dividend yield	1.70 - 1.94 %
Expected life	7.50

The Compensation cost related to stock options is recognized based on the fair value of the stock options at the grant date on a straight line basis over the vesting period. Compensation expense related to stock options was $ 768,000 and $ 92,000 for the years ended December 31, 2023 and 2022. At December 31, 2023, unrecognized compensation cost related to stock option awards was $ 3.0 million, which is expected to be recognized over the next 5 years .

Note 19 - Leases

The Company has operating leases and finance leases all comprised of real estate property. The operating leases comprise substantially all of the Company's obligations in which the Company is the lessee, with remaining lease terms ranging between 1 and 10 years . Most operating lease agreements consist of initial lease terms ranging between 5 and 10 years , with options to renew the leases or extend the term. The finance lease has a remaining lease term of 93 years . The payment structure of all leases is fixed rental payments with lease payments increasing on pre-determined dates at either a predetermined amount or change in the consumer price index.

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

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

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

Note 19 – Leases (continued)

The quantitative data relates to the Company's leases are as follows (in thousands):

	December 31, 2023	December 31, 2022
Finance Lease Amounts:		
ROU asset	$ 351	$ 355
Lease liability	$ 571	$ 533
Operating Lease Amounts:		
ROU assets	$ 4,566	$ 2,312
Lease liabilities	$ 4,625	$ 2,363
Finance Lease Cost		
Amortization of ROU asset	$ 4	$ 4
Interest on lease liability	$ 38	$ 37
Operating Lease Costs	$ 566	$ 567
Cash paid for amounts included in the measurement of lease liabilities		
Finance lease	$ —	$ —
Operating leases	$ 511	$ 558
Weighted-average remaining lease term		
Finance lease	93 years	94 years
Operating leases	8.58 years	6.19 years
Weighted-average discount rate		
Finance lease	9.50 %	9.50 %
Operating leases	5.18 %	1.50 %

Maturities of lease liabilities at December 31, 2023 are as follows (in thousands):

	Operating Leases	Finance Lease
Years ended December 31:		
2024	$ 740	$ 30
2025	738	30
2026	622	31
2027	637	36
2028	595	36
Thereafter	2,475	4,016
Total lease payments	$ 5,807	$ 4,179
Interest	(1,182)	(3,608)
Lease liability	$ 4,625	$ 571

Note 20 – Contingencies

The Company and Bank are also subject to claims and litigation that arise primarily in the ordinary course of business. Based on information presently available and advice received from legal counsel representing the Company and Bank in connection with such claims and litigation, it is the opinion of management that the disposition or ultimate determination of such claims and litigation will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

Note 21 - Fair Value Disclosures

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

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

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

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

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

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total Carried at Fair Value on a Recurring Basis	
Description	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Assets:								
Marketable equity securities:								
Mutual funds	$ 18,102	$ 18,041	$ —	$ —	$ —	$ —	$ 18,102	$ 18,041
Mortgage-backed securities								
FHLMC	—	—	—	1	—	—	—	1
Total assets	$ 18,102	$ 18,041	$ —	$ 1	$ —	$ —	$ 18,102	$ 18,042

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

Note 21 – Fair Value Disclosures (continued)

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total Carried at Fair Value on a Non-Recurring Basis	
Description	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
	(In Thousands)							
Assets:								
Collateral dependent loans	$ —	$ —	$ —	$ —	$ 4,385	$ 855	$ 4,385	$ 855
Real estate owned	—	—	—	—	1,456	1,456	1,456	1,456
Total assets	$ —	$ —	$ —	$ —	$ 5,841	$ 2,311	$ 5,841	$ 2,311

The following tables present the qualitative information about non-recurring Level 3 fair value measurements of financial instruments at the periods indicated:

	At December 31, 2023				
	Fair Value	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted Average**
	(In Thousands)				
Assets:					
Collateral dependent loans	$ 4,385	Income approach	Capitalization rate	6.00 %	6.00 %
Real estate owned	1,456	Income approach	Capitalization rate	12.00 %	12.00 %

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

The Company did no t have any liabilities that were carried at fair value on a non-recurring basis at December 31, 2023 and 2022.

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

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

A loan is considered individually evaluated for credit loss when, based upon current information and events, it is probable that the Company will be unable to collect all scheduled payments in accordance with the contractual terms of the loan. Individually evaluated loans that are collateral dependent are written down to fair value through the establishment of specific reserves, a component of the allowance for credit losses or through partial charge-offs, and

Note 21 – Fair Value Disclosures (continued)

as such are carried at the lower of cost or the fair value. Estimates of fair value of the collateral are determined based on a variety of information, including available valuations from certified appraisers for similar assets, present value of discounted cash flows and inputs that are estimated based on commonly used and generally accepted industry liquidation advance rates and estimates and assumptions developed by management. The appraisals may be adjusted by management for estimated liquidation expenses and qualitative factors such as economic conditions. If real estate is not the primary source of repayment, present value of discounted cash flows and estimates using generally accepted industry liquidation advance rates are utilized. Due to the multitude of assumptions, many of which are subjective in nature, and the varying inputs and techniques used by appraisers, the Company recognizes that valuations could differ across a wide spectrum of valuation techniques employed and accordingly, fair value estimates for impaired loans are classified as Level 3.

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

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

Securities

Fair values for marketable equity securities are determined by quoted market prices on nationally recognized and foreign securities exchanges (Level 1). Fair values for securities available for sale and held to maturity are determined utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayments speeds, credit information and the security's terms and conditions, among other things.

Note 21 - Fair Value Disclosures (continued)

Securities (continued)

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

			Fair Value at December 31, 2023		
(In thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and cash equivalents	$ 68,671	$ 68,671	$ 68,671	$ —	$ —
Certificates of deposit	100	100	—	100	—
Marketable equity securities	18,102	18,102	18,102	—	—
Securities held to maturity	15,860	13,126	—	13,126	—
Loans receivable	1,581,804	1,552,219	—	—	1,552,219
Investments in restricted stock	929	929	—	929	—
Accrued interest receivable	12,311	12,311	—	12,311	—
Financial Liabilities					
Deposits	1,400,036	1,401,083	—	1,401,083	—
Borrowings	64,000	63,053	—	63,053	—

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

Note 22 – Related Party Transactions

The Company had no loans to related parties at December 31, 2023 and 2022. In addition, the Company did not originate any loans to related parties in 2023 and 2022. Deposits of related parties at the Company totaled $ 2.1 million and $ 2.4 million at December 31, 2023 and 2022, respectively.

Kevin P. O'Malley is an attorney with Kevin P. O'Malley, P.C., a law firm that provides construction loan closing services to borrowers of the Company. During the fiscal year ended December 31, 2023 and 2022, construction loan borrowers of the Company paid $ 497,000 and $ 835,000 respectively in legal fees to Mr. O'Malley's law firm in connection with closing of construction loans. In addition, in fiscal year 2023 and 2022, the Company paid Mr. O'Malley's law firm zero and $ 3,000 for legal services provided on a corporate related matter.

Note 23 – Revenue Recognition

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

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's noninterest revenue streams are largely based on transactional activity, or standard month-end revenue accruals such as referral fees based month end reports. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2023, the Company did not have any significant contract balances.

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the years ended December 31, 2023 and 2022. Sources of revenue outside the scope of ASC 606 are noted as such:

	December 31,	
	2023	2022
	(In Thousands)	
Non-interest income:		
Deposit-related fees and charges	$ 55	$ 67
Loan-related fees and charges (1)	892	1,064
Electronic banking fees and charges	944	863
(Loss) gain on disposition of equipment (1)	(18)	98
Income from bank owned life insurance (1)	1,013	604
Investment advisory fees	458	474
Realized and unrealized gain (loss) on equity securities (1)	294	(1,573)
Miscellaneous(1)	105	86
Total non-interest income	$ 3,743	$ 1,683

(1) Not within the scope of ASC 606.

Note 23 – Revenue Recognition (continued)

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

Service Charges on Deposit Accounts

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

Electronic Banking Fee Income

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

Investment Advisory Fees

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

Note 24 – Recent Accounting Pronouncements

Accounting Standards Pending Adoption:

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

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvement: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative, which incorporates several SEC disclosure requirements into US GAAP and adds interim and annual disclosure requirements to a variety of topics in the Accounting Standards Codification, including those focusing on accounting changes, earnings per share, debt and repurchase agreements. For entities subject to the SEC disclosure requirements and those "required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer," the US GAAP requirements will be effective when the removal of the related SEC rule is effective. Early adoption is not permitted for these entities. For all other entities, the effective date will be two years later, and early adoption is permitted. That is, financial statements issued after the effective date of each amendment are required to include on a prospective basis the related disclosure incorporated into US GAAP by this ASU. However, if the SEC does not act to remove its related requirements by June 30, 2027, any related FASB amendments will be removed from the Codification and will not be effective for any entities.

Note 24 – Recent Accounting Pronouncements (continued)

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, requires the amount of net income taxes paid for federal, state, and foreign taxes, as well as the amount paid to any jurisdiction that net taxes exceed a 5% quantitative threshold. The amendments will require the disclosure of pre-tax income disaggregated between domestic and foreign, as well as income tax expense disaggregated by federal, state, and foreign. The amendment also eliminates certain disclosures related to unrecognized tax benefits and certain temporary differences. This ASU is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted in any annual period where financial statements have not yet been issued. The amendments should be applied on a prospective basis but retrospective application is permitted. The Company does not expect adoption of the standard to have a material impact on its Consolidated Financial Statements.

Note 25 - Subsequent Events

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these consolidated financial statements were issued.

Note 26 – Parent Company Only Financial Information

The following are the condensed financial statements for Northeast Community Bancorp, Inc. (Parent company only) as of December 31, 2023 and 2022 and for the years then ended.

Condensed Statements of Financial Condition

	December 31,	
	2023	2022
	(In Thousand)	
Assets		
Cash and due from banks	$ 4,268	$ 20,334
Investment in subsidiary	254,654	220,706
Loans receivable, net of allowance for credit losses of $ 45 and $ 92 , respectively[(1)]	14,121	13,688
ESOP loan receivable	7,336	8,177
Total Assets	$ 280,379	$ 262,905
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	$ 1,054	$ 916
Total Liabilities	1,054	916
Total Stockholders' Equity	279,325	261,989
Total Liabilities and Stockholders' Equity	$ 280,379	$ 262,905

(1) Represents participation loans purchased from the Bank

Note 26 – Parent Company Only Financial Information (continued)

Condensed Statements of Income and Comprehensive Income

	Years Ended December 31, 2023	2022
	(In Thousand)	
Interest income – loans	$ 1,371	$ 240
Interest income – ESOP loan	333	377
Interest income – interest-earning deposits	179	343
Dividend income from subsidiary	14,000	—
Operating expenses	(2,298)	(956)
Income before Income Tax Expense and Equity in Undistributed Earnings of Subsidiary	13,585	4
Income tax (benefit) expense	(120)	1
Income before Equity in Undistributed Earnings of Subsidiary	13,705	3
Equity in undistributed earnings of subsidiary	32,571	24,840
Net Income	$ 46,276	$ 24,843
Comprehensive Income	$ 46,336	$ 25,138

Statements of Cash Flow

	Years Ended December 31, 2023	2022
	(In Thousand)	
Cash Flows from Operating Activities		
Net income	$ 46,276	$ 24,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiary	(32,571)	(24,840)
Other, net	2,183	544
Net Cash Provided by Operating Activities	15,888	547
Cash Flows from Investing Activities		
Repayment of ESOP loan	841	796
Net increase in loans	(433)	(9,211)
Net Cash Provided (Used in) by Investing Activities	408	(8,415)
Cash Flows from Financing Activities		
Cash dividends paid	(3,652)	(6,868)
Stock repurchase	(28,710)	(9,318)
Net Cash Used in Financing Activities	(32,362)	(16,186)
Net Decrease in Cash and Cash Equivalents	(16,066)	(24,054)
Cash and Cash Equivalents – Beginning	20,334	44,388
Cash and Cash Equivalents – Ending	$ 4,268	$ 20,334

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

NORTHEAST COMMUNITY BANCORP, INC.

Dated: March 28, 2024

By: /s/ Kenneth A. Martinek
Kenneth A. Martinek
Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Kenneth A. Martinek Kenneth A. Martinek	Chairman and Chief Executive Officer (Principal Executive Officer)	March 28, 2024
/s/ Jose M. Collazo Jose M. Collazo	President, Chief Operating Officer and Director	March 28, 2024
/s/ Donald S. Hom Donald S. Hom	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 28, 2024
/s/ Diane B. Cavanaugh Diane B. Cavanaugh	Director	March 28, 2024
/s/ Charles M. Cirillo Charles M. Cirillo	Director	March 28, 2024
/s/ Eugene M. Magier Eugene M. Magier	Director	March 28, 2024
/s/ Charles A. Martinek Charles A. Martinek	Director	March 28, 2024
/s/ John F. McKenzie John F. McKenzie	Director	March 28, 2024
/s/ Kevin P. O'Malley Kevin P. O'Malley	Director	March 28, 2024

/s/ Kenneth H. Thomas Kenneth H. Thomas	Director	March 28, 2024
/s/ Linda M. Swan Linda M. Swan	Director	March 28, 2024

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into on February 18, 2021, by and between **NORTHEAST COMMUNITY BANCORP, INC**., a Maryland corporation (the "Company") , **NORTHEAST COMMUNITY BANK** (the "Bank"), a New York-chartered stock savings bank headquartered in White Plains, New York, and **KENNETH A. MARTINEK** (the "Executive").

Background

A. The Company and the Bank wish to employ the Executive on the terms and conditions provided herein, and the Executive wishes to continue in such capacity on the terms and conditions provided herein.

B. The Company and the Bank wish to encourage the Executive to devote his full time and attention to the faithful performance of his responsibilities and pursuing the best interests of the Company and the Bank.

C. The Company and the Bank employ the Executive in a position of trust and confidence, and the Executive has become acquainted with the Company's Business, its officers and employees, its strategic and operating plans, its business practices, processes, and relationships, the needs and expectations of its Customers and Prospective Customers, and its trade secrets and other property, including Confidential Information ("Company's Business," "Customers" and "Confidential Information" are defined in Section 11 below).

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement agree as follows:

1. **Term.** For purposes of this Agreement, the "Effective Date" shall be February 18, 2021 or such other date as the parties may agree. The initial term of this Agreement shall begin on the Effective Date, and shall continue for thirty-six (36) months; provided, however, that beginning on the first anniversary of the Effective Date, and on each anniversary of the Effective Date thereafter, the term of this Agreement shall be extended by twelve (12) months, unless the disinterested members of the boards of directors of the Company and the Bank (the "Company Board" and "Bank Board", respectively) or the Executive shall have provided notice to the other party at least sixty (60) days before such date that the term shall not be extended. The period during which the Executive is employed by the Company and the Bank pursuant to this Agreement, including all extensions thereof, is hereinafter referred to as the "Term." Notwithstanding the preceding provisions of this Section, if a Change of Control occurs during the Term, the Term shall not end before the first anniversary of the Change of Control; provided, however, this sentence shall apply only to the first Change of Control to occur while this Agreement is in effect. The Bank Board shall conduct a comprehensive performance evaluation and review of the Executive annually for purposes of determining whether to extend the Agreement, and the rationale and results thereof shall be included in the minutes of the meeting of the Bank Board.

2. **Position and Duties.** At all times during the Term, the Executive shall (i) serve as Chairman and Chief Executive Officer of the Company and the Bank and, in such capacities, shall perform such duties and have such responsibilities as is typical for such positions, as well as any

other reasonable duties as may be assigned to him from time to time, and (ii) diligently and conscientiously devote substantially all of his business time, energy, and ability to his duties and the business of the Company and the Bank and will not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or materially interfere with the performance of such services either directly or indirectly without the prior written consent of the Bank Board, and (iii) comply with all directions from the Company Board and the Bank Board (other than directions that would require an illegal or unethical act or omission) and all applicable policies and regulations of the Company and the Bank. Executive shall report directly to the Company Board and Bank Board. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the Bank Board (not to be unreasonably withheld) act or serve as a director, trustee, committee member, or principal of any type of business, civic or charitable organization as long as such activities are disclosed in writing to the Bank Board, and (b) purchase or own less than two percent (2%) of the publicly traded securities of any entity which has the potential to be a competitor of the Company or the Bank or an unlimited ownership interest in any entity which is not similar to and does not have the potential to compete with the Company or the Bank; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such entity; and provided further that, the activities described in clauses (a) and (b), in each case and in the aggregate, do not materially interfere with the performance of the Executive's material duties and responsibilities as provided hereunder. The Executive has disclosed all such business, civic, and charitable organizations for which he serves as of the Effective Date, and it is hereby acknowledged that, as of the Effective Date, the same do not currently conflict with, and are not expected to interfere with, the Executive's duties hereunder. The Executive is the most senior executive officer of the Company and the Bank. The Executive's duties for the Company and the Bank include responsibility for managing the business, operations, and affairs of the Company and the Bank, including the implementation of strategic goals and objectives, subject to supervision and oversight by the Bank Board and the Company Board or the committee of either such Board authorized to act on such Board's behalf. For purposes of this Agreement, all references to either the Company Board or the Bank Board shall be deemed to include references to all such committees. The Executive shall be responsible overall for the conduct of the business of the Company and the Bank.

3. **Compensation, Benefits and Expenses.** During the Term, the Bank shall compensate the Executive for his services as provided in this Section 3. Unless otherwise determined by the Company Board, all payments and benefits provided in this Agreement shall be paid or provided solely by the Bank. Notwithstanding anything in this Agreement to the contrary, no provision of this Agreement shall be construed so as to result in the duplication of any payment or benefit. Unless otherwise determined by the Company Board, the Company's sole obligation under this Agreement shall be to unconditionally guarantee the payment and provision of all amounts and benefits due hereunder to Executive, and the affirmative obligations of the Company as set forth at Section 3(h), herein, with respect to Indemnification, and, if such amounts and benefits due from the Bank are not timely paid or provided by the Bank, such amounts and benefits shall be paid or provided by the Company.

(a) **Base Salary.** The Bank shall pay the Executive an annual base salary at the rate of $505,000 payable in substantially equal installments in accordance with the Bank's customary payroll practices regarding the payment of base salary to executives but no less frequently than monthly (except to the extent the Executive has properly deferred such base salary pursuant to a Bank deferred compensation plan or arrangement, if any). The Executive's base salary shall be reviewed at least annually by the Bank Board and the Bank Board may increase but not decrease the base salary during the Term. In the absence of action by the Bank Board, the Executive shall continue to receive an annual base salary at the rate specified above on the Effective Date or, if another rate has been established under this Section 3(a), the rate last properly established by action of the Bank Board under this Section 3(a). The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "Base Salary."

(b) **Annual Bonuses.** For each completed fiscal year of the Bank ("Fiscal Year") during the Term, the Executive shall have the opportunity to earn an annual bonus pursuant to an incentive plan or program ("AIP"), based on achievement of annual performance goals established by the Compensation Committee of the Board of Directors of the Bank in its discretion (an "Annual Bonus") with a target amount determined annually based on review of market data for similarly situated executives.

(c) **Long-Term Equity Incentive Awards.** If the Company adopts a shareholder-approved long-term equity incentive equity plan ("Equity Plan"), the Executive will be eligible for time-based and performance-based awards under the Equity Plan.

(d) **Employee Benefits.** During the Term, the Executive will be entitled to participate in or receive benefits under all employee benefit plans, programs, arrangements and practices in which Executive was participating or otherwise deriving benefit immediately prior to the Effective Date, including but not limited to the Bank's tax-qualified pension plan, tax-qualified 401(k) plan, supplemental non-qualified deferred compensation plans, medical plan, dental plan, vision plan, life insurance plan, short-term and long-term disability plans, fringe benefit arrangements, and executive perquisite arrangements (including, but not limited to, automobile and club memberships and dues) (collectively, the "Benefit Plans"). During the Term, and to the extent consistent with applicable law, the Bank will not, without the Executive's prior written consent, make any changes to any material Benefit Plan that would be materially adversely affect the Executive's rights or benefits under such Benefit Plan unless an equitable arrangement (embodied in an ongoing or substitute arrangement) is made with respect to such change.

(f) **Paid Time Off**. During the Term, the Executive shall be eligible for paid time off during a calendar year (prorated for partial years) in accordance with the Bank's paid time off policies, as in effect from time to time.

(g) **Business Expenses/Automobile Allowance.** The Executive shall be eligible for reimbursement of all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Bank's expense reimbursement policies and procedures. In addition, during the Term the Bank will provide Executive with an automobile allowance that approximates the expense of a Bank-provided automobile and related insurance, maintenance and fuel costs. Executive will comply with reasonable reporting and expense limitations as the Bank may establish from time to time

(h) **Indemnification.** The Bank and the Company shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at their expense and each such party shall indemnify the Executive (and his heirs, executors and administrators) to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Company or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the costs of reasonable settlements.

4. **Termination of Employment.**

(a) Subject to its payment obligations under this Section and Section 5 or 6, if applicable, the Company and the Bank may terminate the Executive's employment with the Company and the Bank and this Agreement at any time, with or without Cause (as defined in subsection (b) below), by providing at least thirty (30) days prior written notice (with the exception of a termination for Cause, for which no prior written notice is required) setting forth the provision of the Agreement under which the Company and the Bank intend to terminate the Executive's employment and that satisfies any additional specific notice provisions under such provision. The Executive may voluntarily terminate his employment with the Company and the Bank and this Agreement at any time, with or without Good Reason (as defined in subsection (c) below), by providing at least thirty (30) days prior written notice to the Company and the Bank setting forth the provision of the Agreement under which the Executive intends to terminate the Executive's employment and that satisfies any additional specific notice provisions under such provision. Upon termination of the Executive's employment and this Agreement during the Term, the Executive shall be entitled to the following in addition to any benefits payable under Section 5 or 6, as applicable, and shall have no further rights to any compensation or any other benefits from the Company or the Bank or any other affiliate of the Company:

(i) Any earned but unpaid Base Salary through the effective date of the Executive's termination of employment with the Company and the Bank (the "Termination Date"), paid in accordance with Section 3(a).

(ii) Provided that the Executive applies for reimbursement in accordance with the Bank's established reimbursement policies (within the period required by such policies but under no circumstances less than thirty (30) days after his Termination Date), the Bank shall pay the Executive any reimbursements to which he is entitled under such policies.

(iii) Any benefits (other than severance) payable to the Executive under any of the Bank's incentive compensation or employee benefit plans or programs shall be payable in accordance with the provisions of those plans or programs.

(iv) All rights to indemnification and directors and officers liability insurance provided under Section 3(h).

Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors of the Company or the Bank or of any other affiliate of the Company.

(b) For purposes of this Agreement, "Cause" means the occurrence of any of the following during the Term:

(i) the Executive's personal dishonesty, act or failure to act constituting willful misconduct or gross negligence that is materially injurious to the Company or the

Bank or their reputation, breach of fiduciary duty involving personal profit, or willful violation of any law, rule, regulation (other than traffic violations or similar offenses), final cease and desist order;

(ii) the Executive's material failure to perform the duties of his employment with the Company or the Bank (except in the case of a termination of the Executive's employment for Good Reason or on account of the Executive's physical or mental inability to perform such duties) and the failure to correct such failure within thirty (30) days after receiving written notice from the Bank specifying such failure in detail;

(iii) the Executive's willful failure to comply with any valid and legal written directive of the Company Board or the Bank Board;

(iv) the Executive's willful and material violation of the Company's or the Bank's code of ethics or conduct policies which results in material harm to the Company or the Bank;

(v) the Executive's failure to follow the policies and standards of the Company, the Bank or any affiliate of the Company or the Bank as the same shall exist from time to time, provided that the Executive shall have received written notice from the Company or the Bank or the relevant affiliate of such failure and such failure shall have continued or recurred for ten (10) days following the date of such notice;

(vi) the written requirement or direction of a federal or state regulatory agency having jurisdiction over the Company or the Bank or any other affiliate of the Company that the Executive's employment with the Company or the Bank be terminated;

(vii) the Executive's conviction of or plea of nolo contendere to (i) a felony or (ii) a lesser criminal offense involving dishonesty, breach of trust, or moral turpitude; or

(viii) the Executive's intentional breach of a term, condition, or covenant of this Agreement that results in material harm to the Company or the Bank and the failure to correct such violation within thirty (30) days after receipt of written notice from the Bank specifying such breach in detail.

For purposes of this definition, no act or failure to act shall be considered "willful" if the Executive acted or failed to act either (i) in good faith or (ii) with a reasonable belief that his act or failure to act was not opposed to the Company's and Bank's best interests.

(c) For purposes of this Agreement, "Good Reason" means the occurrence of any of the following during the Term without the express written consent of the Executive:

(i) the material reduction of Executive's base compensation (including target bonus),

(ii) the material reduction of Executive's duties and responsibilities as set forth herein (including material reduction in status, material reduction in offices and/or a requirement to report to any person or entity other than the Boards of Directors of the Company and the Bank),

(iii) a material breach of this Agreement by the Bank or the Company, or

(iv) the relocation of Executive's principal place of employment that increases Executive's one-way commute by more than thirty (30) miles.

5. **Non-Change of Control Severance Benefit.**

(a) Subject to (i) the Executive's timely execution of a Release in accordance with Section 18, (ii) the expiration of any applicable waiting periods contained herein, and (iii) the following provisions of this Section 5, the Bank shall provide the Executive with the payments and benefits set forth in this Section 5 if, during the Term and before the occurrence of a Change of Control, either (1) the Company and the Bank terminate the Executive's employment with the Company and the Bank and this Agreement other than pursuant to Section 8, or (2) the Executive terminates his employment with the Company and the Bank and this Agreement for Good Reason pursuant to Section 9. Notwithstanding the preceding provisions of this subsection (a), the Executive shall not be entitled to severance benefits pursuant to this Section 5 if he is entitled to severance benefits pursuant to Section 6. Any amount payable to the Executive pursuant to this Section 5 is in addition to amounts already owed to the Executive by the Bank and is in consideration of the covenants set forth in this Agreement and/or the Release.

(b) The Bank shall pay to the Executive an amount equal to three (3) times the sum of Executive's Base Salary and Target Bonus in effect on the Termination Date, with such amount paid as salary continuation in substantially equal installments over the thirty-six (36) month period following the Termination Date in accordance with the Bank's customary payroll practices regarding the payment of base salary to executives but no less frequently than monthly (i.e., as if the Executive were still employed and receiving Base Salary pursuant to Section 3(a) of this Agreement), except that the first payment shall be made within 60 days following the Termination Date and shall include all installments that would have been paid earlier had the installment stream commenced immediately following the Termination Date.

(c) If the Executive timely and properly elects continued Bank-provided group health plan coverage pursuant to the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), the Bank shall reimburse the Executive in an after-tax amount (determined using an assumed aggregate tax rate of 40%) equal to the monthly COBRA premium paid by the Executive for such coverage less the active employee premium for such coverage. Executive shall be eligible to receive such reimbursement until the earliest of: (i) the period of time used to calculate the Executive's severance pay pursuant to Section 5(b); (ii) the date Executive is no longer eligible to receive COBRA continuation coverage; or (iii) the date on which Executive either receives or becomes eligible to receive substantially similar coverage from another employer.

(d) The Bank shall pay to the Executive any unpaid Annual Bonus for the completed Fiscal Year preceding the Fiscal Year in which the Termination Date occurs, calculated by taking into account the degree of achievement of the applicable objective performance goals for such preceding Fiscal Year (the "Prior Year Bonus"), in a lump sum on the date on which the Annual Bonus would have been paid to the Executive but for the Executive's termination of employment.

(e) The treatment of any outstanding Equity Plan awards shall be determined in accordance with the terms of the applicable Equity Plan and the applicable award agreements evidencing such awards.

6. **Change of Control Severance Benefit.**

(a) Subject to (i) the expiration of any applicable waiting periods contained herein, and (ii) the following provisions of this Section 6, the Bank shall provide the Executive with the payments and benefits set forth in this Section 6, in lieu of severance payments or benefits under Section 5, if, during the Term and concurrent with or within twenty-four (24) months after a Change of Control (as defined in subsection (g) below), either (A) the Company and the Bank terminate the Executive's employment with the Company and the Bank and this Agreement other than pursuant to Section 8, or (B) the Executive terminates his employment with the Company and the Bank and this Agreement for Good Reason pursuant to Section 9.

(b) Within 60 days following the Termination Date, the Bank shall pay to the Executive a single lump sum payment in an amount equal to three (3) times the sum of the Executive's annual Base Salary, at the greater of the Base Salary in effect on the Change of Control Date (as defined in subsection (h) below) or his Termination Date, and the Executive's Target Bonus, at the greater of his Target Bonus in effect on the Change in Control Date or Termination Date.

(c) Within 60 days following the Termination Date, the Bank shall pay to the Executive a single lump sum payment in an after-tax amount (determined using an assumed aggregate tax rate of 40%) equal to thirty-six (36) times the Bank's monthly COBRA charge in effect on the Termination Date for the type of Bank-provided group health plan coverage in effect for the Executive (e.g., family coverage) on the Termination Date less the active employee charge for such coverage in effect on the Termination Date.

(d) The Bank shall pay to the Executive any Prior Year Bonus in a lump sum on the date on which the Annual Bonus would have been paid to the Executive but for Executive's termination of employment; and

(e) The treatment of any outstanding Equity Plan awards shall be determined in accordance with the terms of the applicable Equity Plan and the applicable award agreements evidencing such awards.

(f) If payments to the Executive pursuant to this Agreement would result in total Parachute Payments (as defined in Section 7) to the Executive, whether or not made pursuant to this Agreement, with a value (as determined pursuant to Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the guidance thereunder) equal to or greater than Executive's Parachute Payment Limit (as defined in Section 7), the provisions of Section 7 shall apply as if set out in this Section 6.

(g) For purposes of this Agreement, "Change in Control" means the first occurrence of any of the following events during the Term:

(i) the acquisition by any person (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 ("Act")), other than by, the Company, the Bank, any other subsidiary of the Company, and any employee benefit plan of the Company or the Bank or any other subsidiary of the Company, of fifty percent (50%) or more of the combined voting power entitled to vote generally in the election of the directors of the Company's or the Bank's then outstanding voting securities;

(ii) the persons who were serving as the members of the Company Board or Bank Board immediately prior to the commencement of a proxy contest relating to the election of directors or a tender or exchange offer for voting securities of the Company or the Bank, as applicable ("Incumbent Directors"), shall cease to constitute at least a majority of such board (or the board of directors of any successor to the Company or the Bank, as applicable) at any time within one year of the election of directors as a result of such contest or the purchase or exchange of voting securities of the Company or the Bank, as applicable, pursuant to such offer, provided that any director elected or nominated for election to the Company Board or Bank Board, as applicable, by a majority of the Incumbent Directors then still in office and whose nomination or election was not made at the request or direction of the person(s) initiating such contest or making such offer shall be deemed to be an Incumbent Director for purposes of this subsection (ii); or

(iii) a sale, transfer, or other disposition of all or substantially all of the assets of the Company or the Bank which is consummated and immediately following which the persons who were the owners of the Company or the Bank, as applicable, immediately prior to such sale, transfer, or disposition, do not own, directly or indirectly and in substantially the same proportions as their ownership immediately prior to the sale, transfer, or disposition, more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of (i) the entity or entities to which such assets or ownership interest are sold or transferred or (ii) an entity that, directly or indirectly, owns more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the entities described in clause (i).

Notwithstanding anything herein to the contrary, the issuance of common stock by the Company or the Bank shall not be deemed to be a Change in Control nor shall any subsequent "second-step" conversion and stock issuance be deemed to be a Change in Control for purposes of this Agreement.

To the extent necessary to comply with Code Section 409A, a Change in Control will be deemed to have occurred only if the event also constitutes a change in the effective ownership or effective control of the Company or the Bank, as applicable, or a change in the ownership of a substantial portion of the assets of the Company or the Bank, as applicable, in each case within the meaning of Treasury Regulation section 1.409A-3(i)(5).

(h) For purposes of this Agreement, "Change of Control Date" means the date on which a Change of Control occurs.

7. **Provisions Relating to Parachute Payments.**

(a) If payments and benefits to or for the benefit of the Executive, whether pursuant to this Agreement or otherwise, would result in total Parachute Payments to the Executive with a value equal to or greater than one hundred percent (100%) of the Executive's Parachute Payment Limit, the amount payable to the Executive shall be reduced so that the value of all Parachute Payments to the Executive, whether or not made pursuant to this Agreement, is equal to the Parachute Payment Limit less One Dollar ($1.00), accomplished by first reducing any amounts payable pursuant to Sections 5(b) and 6(b), as applicable, and then reducing other amounts of compensation to the extent necessary; provided that, no such reduction shall be taken if, after reduction for any applicable federal excise tax imposed on the Executive by Code Section 4999, as well as any federal, state and local income tax imposed on the Executive with respect to the total Parachute Payments, the total Parachute Payments accruing to the Executive would be more than the amount of the total Parachute Payments after (a) taking the reduction described in the first clause of this sentence, and (b) further reducing such payments by any federal, state and local income taxes imposed on the Executive with respect to the total Parachute Payments. The Bank agrees to undertake such reasonable efforts as it may determine in its sole discretion to prevent any payment or benefit under this Agreement (or any portion thereof) from constituting an Excess Parachute Payment.

(b) The amount of Parachute Payments and the Parachute Payment Limit shall be determined as provided in this subsection (b). The Bank shall direct its independent auditor ("Auditor") or such other accounting or law firm experienced in such calculations and acceptable to the Executive to determine whether any Parachute Payments equal or exceed the Parachute Payment Limit and the amount of any adjustment required by subsection (a). The Bank shall promptly give the Executive notice of the Auditor's determination. All reasonable determinations made by the Auditor under this subsection (b) shall be binding on the Company and the Bank and the Executive and shall be made within thirty (30) days after the Termination Date.

(c) For purposes of this Section 7, the following terms have the following meanings:

(i) "Excess Parachute Payment" has the meaning given to such term in Code Section 280G(b)(1).

(ii) "Parachute Payment" has the meaning give to such term in Code Section 280G(b)(2).

(iii) "Parachute Payment Limit" means three (3) times the Executive's "base amount" as defined by Code Section 280G(b)(3).

8. **Termination of Employment by the Company and the Bank for Cause, Death or Disability.**

(a) The Company and the Bank may initiate the termination of the Executive's employment with the Company and the Bank and this Agreement for Cause at any time. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a notice of termination which shall include a copy of a resolution duly adopted by the affirmative vote of not less than a two-thirds (2/3) majority of all of the members of the Company Board and Bank Board at a meeting of each such board called and held for that purpose, finding that in the good faith opinion of such board, Executive was guilty of conduct justifying termination for Cause and specifying the particulars thereof in detail. Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause except as provided in Section 4 of this Agreement.

(b) If the Executive dies before the termination of his employment with the Company and the Bank, his employment and this Agreement shall terminate automatically on the date of his death. In the case of a termination of the Executive's employment with the Company and the Bank on account of death, (i) the Executive shall remain entitled to life insurance benefits pursuant to the Bank's plans, programs, arrangements and practices in this regard, (ii) the Bank shall pay the Executive's beneficiary (as such beneficiary is specified under the Bank's 401(k) retirement plan) an amount equal to one (1) times the sum of the Executive's Base Salary and Target Bonus in effect on the Termination Date in a lump sum within 60 days following the Termination Date, and (iii) the Executive shall not be entitled to severance benefits or payments pursuant to Sections 5 or 6.

(c) The Company and the Bank may initiate the termination of the Executive's employment with the Company and the Bank and this Agreement for Disability at any time. In the case of a termination of the Executive's employment with the Company and the Bank on account of Disability, (i) the Executive shall remain entitled to long-term disability benefits pursuant to the Bank's plans, programs, arrangements and practices in this regard (collectively, the "LTD Plan"), (ii) the Bank shall pay the Executive an amount equal to one (1) times the sum of the Executive's Base Salary and Target Bonus in effect on the Termination Date less the amount expected to be paid under the LTD Plan for the one (1) year period following the Termination Date, with such net amount paid as salary continuation in substantially equal installments over the twelve (12) month period following the Termination Date in accordance with the Bank's customary payroll practices regarding the payment of base salary to executives but no less frequently than monthly (i.e., as if the Executive were still employed and receiving Base Salary pursuant to Section 3(a) of this Agreement), except that the first payment shall be made within 60 days following the Termination Date and shall include all installments that would have been paid earlier had the installment stream commenced immediately following the Termination Date, and (iii) the Executive shall not be entitled to severance benefits or payments pursuant to Sections 5 or 6.

(d) For purposes of this Agreement, "Disability" will occur on the date on which the insurer or administrator of the Bank's program of long-term disability insurance determines that the Executive is eligible to commence benefits under such insurance.

9. **Resignation by Executive for Good Reason.** If an event of Good Reason occurs during the Term, the Executive may, at any time within the ninety (90) day period following the initial occurrence of such event, provide the Bank Board with a written notice of termination specifying the event of Good Reason and notifying the Company and the Bank of his intention to terminate his employment with the Company and the Bank upon the Company's and the Bank's failure to correct the event of Good Reason within thirty (30) days following receipt of the Executive's notice of termination. If the Company and the Bank fails to correct the event of Good Reason and provide the Executive with notice of such correction within such thirty (30) day period, the Executive's employment with the Company and the Bank and this Agreement shall terminate as of the end of such period and the Executive shall be entitled to benefits as provided in Section 4 and Section 5 or 6, as applicable.

10. **Withholding and Taxes.** The Company and the Bank may withhold from any payment made hereunder (i) any taxes that the Company or the Bank reasonably determines are required to be withheld under federal, state, or local tax laws or regulations, and (ii) any other amounts that the Company or the Bank is authorized to withhold. Except for employment taxes that are the obligation of the Company or the Bank, the Executive shall pay all federal, state, local, and other taxes (including, without limitation, interest, fines, and penalties) imposed on him under applicable law by virtue of or relating to the payments and/or benefits contemplated by this Agreement, subject to any reimbursement provisions of this Agreement.

11. **Use and Disclosure of Confidential Information.**

(a) The Executive acknowledges and agrees that (i) by virtue of his employment with the Company and the Bank, he will be given access to, and will help analyze, formulate or otherwise use, Confidential Information, (ii) the Company and the Bank have devoted (and will devote) substantial time, money, and effort to develop Confidential Information and maintain the proprietary and confidential nature thereof, and (iii) Confidential Information is proprietary and confidential and, if any Confidential Information were disclosed or became known by persons engaging in a business in any way competitive with the Company's Business, such disclosure would result in hardship, loss, irreparable injury, and damage to the Company or the Bank, the measurement of which would be difficult, if not impossible, to determine. Accordingly, the Executive agrees that (i) the preservation and protection of Confidential Information is an essential part of his duties of employment and that, as a result of his employment with the Company and the Bank, he has a duty of fidelity, loyalty, and trust to the Company and the Bank in safeguarding Confidential Information. The Executive further agrees that he will use his best efforts, exercise utmost diligence, and take all reasonable steps to protect and safeguard Confidential Information, whether such information derives from the Executive, other employees of the Company or the Bank, Customers, Prospective Customers, or vendors or suppliers of the Company of the Bank, and that he will not, directly or indirectly, use, disclose, distribute, or disseminate to any other person or entity or otherwise employ Confidential Information, either for his own benefit or for the benefit of another, except as required in the ordinary course of his employment by the Company and the Bank. The Executive shall follow all Company and Bank policies and procedures to protect all Confidential Information and shall take all reasonable precautions necessary under the circumstances to preserve and protect against the prohibited use or disclosure of any Confidential Information.

(b) For purposes of this Agreement, "Confidential Information" means the following:

(i) materials, records, documents, data, statistics, studies, plans, writings, and information (whether in handwritten, printed, digital, or electronic form) relating to the Company's Business that are not generally known or available to the Company's business, trade, or industry or to individuals who work therein other than through a breach of this Agreement, or

(ii) trade secrets of the Company or the Bank.

Confidential Information also includes, but is not limited to: (1) information about Company or Bank employees; (2) information about the Company's or the Bank's compensation policies, structure, and implementation; (3) hardware, software, and computer programs and technology used by the Company or the Bank; (4) Customer and Prospective Customer identities, lists, and databases, including private information related to customer history, loan activity, account balances, and financial information; (5) strategic, operating, and marketing plans; (6) lists and databases and other information related to the Company's or the Bank's vendors; (7) policies, procedures, practices, and plans related to pricing of products and services; and (8) information related to the Company's or the Bank's acquisition and divestiture strategy. Information or documents that are generally available or accessible to the public shall be deemed Confidential Information, if the information is retrieved, gathered, assembled, or maintained by the Company or the Bank in a manner not available to the public or for a purpose beneficial to the Company or the Bank.

(c) For purposes of this Agreement, "Company's Business" means, collectively, the products and services provided by the Company or the Bank or any other affiliate of the Company, including, but not limited to, lending activities (including individual loans consisting primarily of home equity lines of credit, residential real estate loans, and/or consumer loans, and commercial loans, including lines of credit, real estate loans, letters of credit, and lease financing) and depository activities (including noninterest-bearing demand, NOW, savings and money market, and time deposits), debit and ATM cards, merchant cash management, internet banking, treasury services, (including investment management, wholesale funding, interest rate risk, liquidity and leverage management and capital markets products) and other general banking services.

(d) For purposes of this Agreement, "Customer" means a person or entity who is a customer of the Company or the Bank at the time of the Executive's termination of employment or with whom the Executive had direct contact on behalf of the Company or the Bank at any time during the period of the Executive's employment with the Company and the Bank.

(e) For purposes of this Agreement, "Prospective Customer" means a person or entity who was the direct target of sales or marketing activity by the Executive or whom the Executive knew was a target of the Company's or the Bank's sales or marketing activities during the one year period preceding the termination of the Executive's employment with the Company and the Bank.

(f) The confidentiality obligations contained in this Agreement shall continue as long as Confidential Information remains confidential (except that the obligations shall continue, if Confidential Information loses its confidential nature through improper use or disclosure, including but not limited to any breach of this Agreement and such use or disclosure is known to the Executive) and shall survive the termination of this Agreement and/or termination of the Executive's employment with the Company and the Bank.

12. **Nondisparagement.** The Executive agrees not to make any oral or written statement or take any other action that disparages or criticizes the Company or the Bank or their management or practices, that damages the Company's or the Bank's good reputation, or that impairs the normal operations of the Company or the Bank. The Executive understands that this nondisparagement provision does not apply on occasions when the Executive is subpoenaed or ordered by a court or other governmental authority to testify or give evidence and must, of course, respond truthfully, to conduct otherwise protected by the Sarbanes-Oxley Act, or to conduct or testimony in the context of enforcing the terms of this Agreement or other rights, powers, privileges, or claims not released by this Agreement. The Executive also understands that the foregoing nondisparagement provision does not apply on occasions when the Executive provides truthful information in good faith to any federal, state, or local governmental body, agency, or official investigating an alleged violation of any antidiscrimination or other employment-related law or otherwise gathering information or evidence pursuant to any official investigation, hearing, trial, or proceeding. Nothing in this nondisparagement provision is intended in any way to intimidate, coerce, deter, persuade, or compensate the Executive with respect to providing, withholding, or restricting any communication whatsoever to the extent prohibited under 18 U.S.C. §§ 201, 1503, or 1512 or under any similar or related provision of state or federal law. In addition, nothing in this provision is intended to require the Executive to provide notice to the Company or the Bank or their attorneys before reporting any possible violations of federal law or regulation to any governmental agency or entity ("Whistleblower Disclosures"), and the Executive is not required to notify the Company or the Bank or their attorneys that the Executive has made any such Whistleblower Disclosures. The Company and the Bank agree not to make any oral or written statement or take any other action

that disparages or criticizes the Executive or his good reputation both during the period of employment of the Executive with the Bank and the Company and at any time thereafter.

13. **Ownership of Documents and Return of Materials At Termination of Employment.**

(a) Any and all documents, records, and copies thereof, including but not limited to hard copies or copies stored digitally or electronically, pertaining to or including Confidential Information (collectively, "Company Documents") that are made or received by the Executive during his employment with the Company and the Bank shall be deemed to be property of the Company and the Bank. The Executive shall use Company Documents and information contained therein only in the course of his employment with the Company and the Bank and for no other purpose. The Executive shall not use or disclose any Company Documents to anyone except as authorized in the course of his employment and in furtherance of the Company's Business.

(b) Upon termination of employment, the Executive shall deliver to the Company and the Bank, as soon as practicably possible (with or without request) all Company Documents and all other Company and Bank property in the Executive's possession or under his custody or control.

14. **Non-Solicitation of Customers and Employees.** The Executive agrees that during the Term and for a period of twelve (12) months following the termination of the Executive's employment with the Company and the Bank, other than a termination of the Executive's employment with the Company and the Bank following a Change in Control, the Executive shall not, directly or indirectly, individually or jointly, (i) solicit in any manner, seek to obtain or service, or accept the business of any Customer or any product or service of the type offered by the Company or the Bank or competitive with the Company's Business, (ii) solicit in any manner, seek to obtain or service, or accept the business of any Prospective Customer for any product or service of the type offered by the Company or the Bank or otherwise competitive with the Company's Business, (iii) request or advise any Customer, Prospective Customer, or supplier of the Company or the Bank to terminate, reduce, limit, or change its business or relationship with the Company or the Bank, or (iv) induce, request, or attempt to influence any employee of the Company or the Bank to terminate his employment with the Company or the Bank.

15. **Covenant Not to Compete.** The Executive hereby understands and acknowledges that, by virtue of his position with the Company and the Bank, he has obtained advantageous familiarity and personal contacts with Customers and Prospective Customers, wherever located, and the business, operations, and affairs of the Company and the Bank. Accordingly, except as set forth in subparagraph (b) of this Section 15, during the term of this Agreement and for a period of twelve (12) months following the termination of his employment with the Company and the Bank ("Restriction Period") other than a termination of the Executive's employment with the Company and the Bank following a Change in Control or the involuntary termination of Executive's employment by the Bank or the Company, the Executive shall not, directly or indirectly, except as agreed to by duly adopted resolution of the Bank Board:

(a) as owner, officer, director, stockholder, investor, proprietor, organizer, employee, agent, representative, consultant, independent contractor, or otherwise, engage in the same trade or business as the Company's Business, in the same or similar capacity as the Executive worked for the Company and the Bank, or in such capacity as would cause the actual or threatened use of the Company's or the Bank's trade secrets and/or Confidential Information; provided, however, that this subsection (a) shall not restrict the Executive from acquiring, as a passive investment, less than five percent (5%) of the outstanding securities of any class of an entity that are listed on a national securities exchange or actively traded in the over-the-counter market. The Executive acknowledges and agrees that, given the level of trust and responsibility given to him while in the Company's and the Bank's employ, and the level and depth of trade secrets and Confidential Information entrusted to him, any immediately subsequent employment with a competitor to the Company's Business would result in the inevitable use or disclosure of the Company's and the Bank's trade secrets and Confidential Information and, therefore, the duration of this year restriction is reasonable and necessary to protect against such inevitable disclosure; or

(b) offer to provide employment or work of any kind (whether such employment is with the Executive or any other business or enterprise), either on a full-time or part-time or consulting basis, to any person who then currently is an employee of the Company or the Bank.

The restrictions on the activities of the Executive contained in this Section 15 shall be limited to the following geographical areas: all counties in which Company or the Bank or any other affiliate of the Company maintains an office or branch or has filed an application for regulatory approval to establish an office or branch as of date of termination, except as agreed otherwise by the Bank Board.

16. **Remedies.** The Executive agrees that the Company and the Bank will suffer irreparable damage and injury and will not have an adequate remedy at law if the Executive breaches any provision of the restrictions contained in Sections 11, 12, 13, 14 and 15 (the "Restrictive Covenants"). Accordingly, if the Executive breaches or threatens or attempts to breach the Restrictive Covenants, in addition to all other available remedies, the Company and the Bank shall be entitled to seek injunctive relief, and no or minimal bond or other security shall be required in connection therewith. The Executive acknowledges and agrees that in the event of termination of this Agreement for any reason whatsoever, the Executive can obtain employment not competitive with the Company's Business (or, if competitive, outside of the geographic and customer-specific scope described herein) and that the issuance of an injunction to enforce the provisions of the Restrictive Covenants shall not prevent the Executive from earning a livelihood. The Restrictive Covenants are essential terms and conditions to the Company entering into this Agreement, and they shall be construed as independent of any other provision in this Agreement or of any other agreement between the Executive and the Company or the Bank. The existence of any claim or cause of action that the Executive has against the Company or the Bank, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company or the Bank of the Restrictive Covenants.

17. **Periods of Noncompliance and Reasonableness of Periods.** The Company, the Bank and the Executive acknowledge and agree that the restrictions and covenants contained in Sections 14 and 15 are reasonable in view of the nature of the Company's Business and the Executive's advantageous knowledge of and familiarity with the Company's Business, operations, affairs, and Customers. Notwithstanding anything contained herein to the contrary, if the scope of any restriction or covenant contained in Sections 14 and 15 is found by a court of competent jurisdiction to be too broad to permit enforcement of such restriction or covenant to its full extent, then such restriction or covenant shall be enforced to the maximum extent permitted by law. The parties hereby acknowledge and agree that a court of competent jurisdiction shall invoke and exercise the blue pencil doctrine to the fullest extent permitted by law to enforce this Agreement.

18. **Requirements for a Separation Agreement and Release**. The Non-Change of Control Severance payments and benefits under Section 5 of this Agreement are conditioned upon Executive timely signing, returning, not revoking, and thereafter complying fully with a Separation Agreement and Release prepared by the Company or the Bank and containing a release of claims, covenant not to sue, non-disparagement clause, and other terms regularly included by the Company in severance agreements for executive-level employees (the "Separation Agreement and Release"). The Separation Agreement and Release will release rights and claims against the Company and the Bank that are in existence when Executive signs it, whether they are known or not known by Executive, other than those rights and claims that are not lawfully waivable. The Separation Agreement and Release will not release vested rights under the benefit plans sponsored by the Company or the Bank. It will be provided to Executive promptly following the Termination Date. The Separation Agreement and Release will specify the time period for Executive to review and consider it and the deadline for executing and returning it to the Company, as well as any applicable revocation period. If Executive does not sign and return the Separation Agreement and Release or, if applicable, timely revokes it, Executive shall be entitled only to the payments and benefits in Section 4(a) of this Agreement through his Termination Date, and the additional amounts set forth in Section 5 shall not be payable.

19. **Cooperation.** The parties agree that certain matters in which the Executive will be involved during the Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment with the Company and the Bank for any reason, to the extent reasonably requested by the Company or the Bank and subject to the Executive's professional commitments, the Executive shall cooperate with the Company and the Bank in connection with matters arising out of the Executive's service to the Company and the Bank, such cooperation to include without limitation the providing of truthful testimony in any hearing or trial as requested by the Company or the Bank or any other affiliate of the Company; provided, however, that the Company and the Bank shall make reasonable efforts to minimize disruption of the Executive's other activities. The Bank shall reimburse the Executive for reasonable expenses incurred or compensation not received by the Executive due to such cooperation.

20. **Publicity.** During the Term, the Executive hereby consents to any and all reasonable and customary uses and displays, by the Company, the Bank and their agents, representatives and licensees, of the Executive's name, voice, likeness, image, appearance and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes and all other printed and electronic forms and media throughout the world, at any time during the period of the Executive's employment with the Company and the Bank, for all legitimate commercial and business purposes of the Company and the Bank, without royalty, payment or other compensation to Executive.

21. **Reimbursement of Certain Costs.**

(a) If the Company or the Bank brings a cause of action to enforce the Restrictive Covenants or to recover damages caused by the Executive's breach of the Restrictive Covenants, the substantially prevailing party in such action shall be entitled to reasonable costs and expenses (including, without limitation, reasonable attorneys' fees, expert witness fees, and disbursements) in connection with such action.

(b) If a dispute arises regarding the Executive's rights hereunder, and the Executive obtains a final judgment in his favor from a court of competent jurisdiction with respect to such dispute, all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees, expert witness fees, and disbursements) incurred by the Executive in connection with such dispute or in otherwise pursuing a claim based on a breach of this Agreement, shall be paid by the Bank.

22. **No Reliance.** The Executive represents and acknowledges that in executing this Agreement, the Executive does not rely and has not relied upon any representation or statement by the Company or the Bank or their agents, other than statements contained in this Agreement.

23. **Required Provisions.** In the event any of the provisions of this Section 23 are in conflict with the other terms of this Agreement, this Section 23 shall prevail.

(a) The Company and the Bank may terminate the Executive's employment with the Company and the Bank at any time, but any termination by the Company and the Bank, other than termination for Cause, shall not prejudice the Executive's right to receive compensation or other benefits under this Agreement. The Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause.

(b) If the Executive is suspended and/or temporarily prohibited from participating in the conduct of the Company's or the Bank's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1); the Company's and the Bank's obligations under this contract shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Company and the Bank may in their discretion: (i) pay the Executive all or part of the compensation withheld while its contract obligations were suspended; and (ii) reinstate (in whole or in part) any of the obligations which were suspended.

(c) If the Executive is removed and/or permanently prohibited from participating in the conduct of the Company's or the Bank's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the Company and the Bank under this contract shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

(d) If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1) all obligations of the Company and the Bank under this contract shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the contracting parties.

(e) Any payments made to the Executive pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 U.S.C. §1828(k) and FDIC regulation 12 C.F.R. Part 359, Golden Parachute and Indemnification Payments.

24. **Section 409A.** To the extent necessary to ensure compliance with Code Section 409A ("Section 409A"), the provisions of this Section 24 shall govern in all cases over any contrary or conflicting provision in this Agreement.

(a) It is intended that this Agreement comply with the requirements of Section 409A and all guidance issued thereunder by the U.S. Internal Revenue Service with respect to any nonqualified deferred compensation subject to Section 409A. This Agreement shall be interpreted and administered to maximize the exemptions from Section 409A and, to the extent this Agreement provides for deferred compensation subject to Section 409A, to comply with Section 409A and to avoid the imposition of tax, interest and/or penalties upon Executive under Section 409A. The Company and the Bank do not, however, assume any economic burdens associated with Section 409A. Although the Company and the Bank intend to administer this Agreement to prevent taxation under Section 409A, they do not represent or warrant that this Agreement complies with any provision of federal, state, local, or non-United States law. The Company, the Bank, other affiliates of the Bank, and their respective directors, officers, employees and advisers will not be liable to the Executive (or any other individual claiming a benefit through the Executive) for any tax, interest, or penalties the Executive may owe as a result of this Agreement. Neither the Company, the Bank nor any other affiliate of the Company has any obligation to indemnify or otherwise protect the Executive from any obligation to pay taxes under Section 409A.

(b) The right to a series of payments under this Agreement will be treated as a right to a series of separate payments. Each payment under this Agreement that is made within 2-½ months following the end of the year that contains the Termination Date is intended to be exempt from Section 409A as a short-term deferral within the meaning of the final regulations under Section 409A. Each payment under this Agreement that is made later than 2-½ months following the end of the year that contains the Termination Date is intended to be exempt from Section 409A under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation. Then, each payment that is made after the two-times exception ceases to be available shall be subject to delay, as necessary, as specified below.

(c) To the extent necessary to comply with Section 409A, in no event may the Executive, directly or indirectly, designate the taxable year of payment. In particular, to the extent necessary to comply with Section 409A, if any payment to the Executive under this Agreement is conditioned upon the Executive executing and not revoking a release of claims and if the designated payment period for such payment begins in one taxable year and ends in the next taxable year, the payment will be made in the later taxable year.

(d) To the extent necessary to comply with Section 409A, references in this Agreement to “termination of employment” or “terminates employment” (and similar references) shall have the same meaning as “separation from service” under Section 409A(a)(2)(A)(i) and any governing Internal Revenue Service guidance and Treasury regulations (“Separation from Service”), and no payment subject to Section 409A that is payable upon a termination of employment shall be paid unless and until (and not later than applicable in compliance with Section 409A) the Executive incurs a Separation from Service. In addition, if the Executive is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) at the time of the Executive’s Separation from Service, any nonqualified deferred compensation subject to Section 409A that would otherwise have been payable on account of, and within the first six months following, the Executive’s Separation from Service, and not by reason of another event under Section 409A(a)(2)(A), will become payable on the first business day after six months following the date of the Executive’s Separation from Service or, if earlier, the date of the Executive’s death.

(e) To the extent that any payment of or reimbursement by the Bank to the Executive of eligible expenses under this Agreement constitutes a "deferral of compensation" within the meaning of Section 409A (a "Reimbursement") (i) the Executive must request the Reimbursement (with substantiation of the expense incurred) no later than 90 days following the date on which the Executive incurs the corresponding eligible expense; (ii) subject to any shorter time period provided in any Bank expense reimbursement policy or specifically provided otherwise in this Agreement, the Bank shall make the Reimbursement to the Executive on or before the last day of the calendar year following the calendar year in which the Executive incurred the eligible expense; (iii) the Executive's right to Reimbursement shall not be subject to liquidation or exchange for another benefit; (iv) the amount eligible for Reimbursement in one calendar year shall not affect the amount eligible for Reimbursement in any other calendar year; and (v) except as specifically provided otherwise in this Agreement, the period during which the Executive may incur expenses that are eligible for Reimbursement is limited to five calendar years following the calendar year in which the Termination Date occurs.

25. **Miscellaneous Provisions.**

(a) **Further Assurances.** Each of the parties hereto shall do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered at any time and from time to time upon the request of any other party hereto, all such further acts, documents, and instruments as may be reasonably required to effect any of the transactions contemplated by this Agreement.

(b) **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither party hereto may assign this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, (i) the Company or the Bank, as applicable, shall require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company or the Bank, as applicable, to expressly assume, in writing, all of the Company's or the Bank's, as applicable, obligations to the Executive hereunder and the Executive hereby consents to the assignment of the Restrictive Covenants under this Agreement to any successor or assign of the Company or the Bank, as applicable, and (ii) upon the Executive's death, this Agreement shall inure to the benefit of and be enforceable by the Executive's executors, administrators, representatives, heirs, distributees, devisees, and legatees and all amounts payable hereunder shall be paid to such persons or the estate of the Executive.

(c) **Waiver; Amendment.** No provision or obligation of this Agreement may be waived or discharged unless such waiver or discharge is agreed to in writing and signed by a duly authorized officer of the Company and the Bank and the Executive. The waiver by any party hereto of a breach of or noncompliance with any provision of this Agreement shall not operate or be construed as a continuing waiver or a waiver of any other or later breach or noncompliance. Except as expressly provided otherwise herein, this Agreement may be amended or supplemented only by a written agreement executed by a duly authorized officer of the Company, a duly authorized officer of the Bank and the Executive.

(d) **Headings.** The headings in this Agreement have been inserted solely for ease of reference and shall not be considered in the interpretation or enforcement of this Agreement.

(e) **Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement. The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law. The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

(f) **Notice.** Any notice, request, instruction, or other document to be given hereunder to any party shall be in writing and delivered by hand, registered or certified United States mail, return receipt requested, or other form of receipted delivery, with all expenses of delivery prepaid, at the address specified for such party below (or such other address as specified by such party by like notice):

If to the Executive:	At the address maintained in the personnel records of the Bank.
If to the Company:	NorthEast Community Bancorp, Inc. 325 Hamilton Avenue, White Plains, NY, 10601 Attn: Corporate Secretary of the Board of Directors
If to the Bank:	NorthEast Community Bank 325 Hamilton Avenue, White Plains, NY, 10601 Attn: Corporate Secretary of the Board of Directors

(g) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument.

(h) **Governing Law; Arbitration.** This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions). Any dispute or controversy arising under or in connection with this Agreement or the Executive’s employment hereunder, shall be settled exclusively by arbitration, conducted before a single arbitrator in the location where the Company’s principal business offices are located in accordance with the rule of the American Arbitration Association. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator’s award in any court having jurisdiction. The parties acknowledge and agree that in connection with any such arbitration and regardless of outcome, (a) each party shall pay all of its own costs and expenses, including, without limitation, its own legal fees and expenses, and (b) the arbitration costs shall be borne entirely by the Bank.

(i) **Entire Agreement.** This Agreement constitutes the entire and sole agreement between the Company and the Bank and the Executive with respect to the Executive's employment with the Company and the Bank or the termination thereof, and there are no other agreements or understandings either written or oral with respect thereto. The parties agree that any and all prior severance and/or change of control agreements between the parties have been terminated and are of no further force or effect.

(j) **Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.**

26. **Review and Consultation. THE EXECUTIVE HEREBY ACKNOWLEDGES AND AGREES THAT HE (I) HAS READ THIS AGREEMENT IN ITS ENTIRETY PRIOR TO EXECUTING IT, (II) UNDERSTANDS THE PROVISIONS AND EFFECTS OF THIS AGREEMENT, (III) HAS CONSULTED WITH SUCH ADVISORS AS HE HAS DEEMED APPROPRIATE IN CONNECTION WITH HIS EXECUTION OF THIS AGREEMENT, AND (IV) HAS EXECUTED THIS AGREEMENT VOLUNTARILY. THE EXECUTIVE HEREBY UNDERSTANDS, ACKNOWLEDGES, AND AGREES THAT THIS AGREEMENT HAS BEEN PREPARED BY COUNSEL FOR THE COMPANY AND THE BANK AND THAT THE EXECUTIVE HAS NOT RECEIVED ANY ADVICE, COUNSEL, OR RECOMMENDATION WITH RESPECT TO THIS AGREEMENT FROM THE COMPANY OR THE BANK OR THEIR COUNSEL.**

27. **Survival.** Upon any expiration or other termination of this Agreement: (i) each of Sections 3(h) (Indemnification), 11 - 17 (Restrictive Covenants), 19 (Cooperation), 23 (Required Provisions), 24 (Section 409A) and 26 (Review and Consultation) shall survive such expiration or other termination; and (ii) all of the other respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

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IN WITNESS WHEREOF, each of the Company and the Bank has caused this Agreement to be executed by its duly authorized officer, and the Executive has signed this Agreement as of the date first written above.

NORTHEAST COMMUNITY BANK

By: /s/ Kenneth H. Thomas

Duly authorized officer of the Bank

NORTHEAST COMMUNITY BANCORP, INC.

By: /s/ Kenneth H. Thomas

Duly authorized officer of the Company

EXECUTIVE

By: /s/ Kenneth A. Martinek
Kenneth A. Martinek

Exhibit 10.2

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into on February 18, 2021, by and between **NORTHEAST COMMUNITY BANCORP, INC**., a Maryland corporation (the "Company") , **NORTHEAST COMMUNITY BANK** (the "Bank"), a New York-chartered stock savings bank headquartered in White Plains, New York, and **JOSE COLLAZO** (the "Executive").

Background

A. The Company and the Bank wish to employ the Executive on the terms and conditions provided herein, and the Executive wishes to continue in such capacity on the terms and conditions provided herein.

B. The Company and the Bank wish to encourage the Executive to devote his full time and attention to the faithful performance of his responsibilities and pursuing the best interests of the Company and the Bank.

C. The Company and the Bank employ the Executive in a position of trust and confidence, and the Executive has become acquainted with the Company's Business, its officers and employees, its strategic and operating plans, its business practices, processes, and relationships, the needs and expectations of its Customers and Prospective Customers, and its trade secrets and other property, including Confidential Information ("Company's Business," "Customers" and "Confidential Information" are defined in Section 11 below).

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement agree as follows:

1. **Term.** For purposes of this Agreement, the "Effective Date" shall be February 18, 2021 or such other date as the parties may agree. The initial term of this Agreement shall begin on the Effective Date, and shall continue for thirty-six (36) months; provided, however, that beginning on the first anniversary of the Effective Date, and on each anniversary of the Effective Date thereafter, the term of this Agreement shall be extended by twelve (12) months, unless the disinterested members of the boards of directors of the Company and the Bank (the "Company Board" and "Bank Board", respectively) or the Executive shall have provided notice to the other party at least sixty (60) days before such date that the term shall not be extended. The period during which the Executive is employed by the Company and the Bank pursuant to this Agreement, including all extensions thereof, is hereinafter referred to as the "Term." Notwithstanding the preceding provisions of this Section, if a Change of Control occurs during the Term, the Term shall not end before the first anniversary of the Change of Control; provided, however, this sentence shall apply only to the first Change of Control to occur while this Agreement is in effect. The Bank Board shall conduct a comprehensive performance evaluation and review of the Executive annually for purposes of determining whether to extend the Agreement, and the rationale and results thereof shall be included in the minutes of the meeting of the Bank Board.

2. **Position and Duties.** At all times during the Term, the Executive shall (i) serve as President of the Company and the Bank and, in such capacity, shall perform such duties and have such responsibilities as is typical for such positions, as well as any other reasonable duties as may

be assigned to him from time to time by the Chief Executive Officer of the Bank, and (ii) diligently and conscientiously devote substantially all of his business time, energy, and ability to his duties and the business of the Company and the Bank and will not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or materially interfere with the performance of such services either directly or indirectly without the prior written consent of the Bank Board, and (iii) comply with all directions from the Company Board and the Bank Board (other than directions that would require an illegal or unethical act or omission) and all applicable policies and regulations of the Company and the Bank. Executive shall report directly to the Company Board and Bank Board. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the Bank Board (not to be unreasonably withheld) act or serve as a director, trustee, committee member, or principal of any type of business, civic or charitable organization as long as such activities are disclosed in writing to the Bank Board, and (b) purchase or own less than two percent (2%) of the publicly traded securities of any entity which has the potential to be a competitor of the Company or the Bank or an unlimited ownership interest in any entity which is not similar to and does not have the potential to compete with the Company or the Bank; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such entity; and provided further that, the activities described in clauses (a) and (b), in each case and in the aggregate, do not materially interfere with the performance of the Executive's material duties and responsibilities as provided hereunder. The Executive has disclosed all such business, civic, and charitable organizations for which he serves as of the Effective Date, and it is hereby acknowledged that, as of the Effective Date, the same do not currently conflict with, and are not expected to interfere with, the Executive's duties hereunder. The Executive is the most senior executive officer of the Company and the Bank. The Executive's duties for the Company and the Bank include responsibility for managing the business, operations, and affairs of the Company and the Bank, including the implementation of strategic goals and objectives, subject to supervision and oversight by the Bank Board and the Company Board or the committee of either such Board authorized to act on such Board's behalf. For purposes of this Agreement, all references to either the Company Board or the Bank Board shall be deemed to include references to all such committees. The Executive shall be responsible overall for the conduct of the business of the Company and the Bank.

3. **Compensation, Benefits and Expenses.** During the Term, the Bank shall compensate the Executive for his services as provided in this Section 3. Unless otherwise determined by the Company Board, all payments and benefits provided in this Agreement shall be paid or provided solely by the Bank. Notwithstanding anything in this Agreement to the contrary, no provision of this Agreement shall be construed so as to result in the duplication of any payment or benefit. Unless otherwise determined by the Company Board, the Company's sole obligation under this Agreement shall be to unconditionally guarantee the payment and provision of all amounts and benefits due hereunder to Executive, and the affirmative obligations of the Company as set forth at Section 3(h), herein, with respect to Indemnification, and, if such amounts and benefits due from the Bank are not timely paid or provided by the Bank, such amounts and benefits shall be paid or provided by the Company.

(a) **Base Salary.** The Bank shall pay the Executive an annual base salary at the rate of $325,000 payable in substantially equal installments in accordance with the Bank's customary payroll practices regarding the payment of base salary to executives but no less frequently than monthly (except to the extent the Executive has properly deferred such base salary pursuant to a Bank deferred compensation plan or arrangement, if any). The Executive's base salary shall be reviewed at least annually by the Bank Board and the Bank Board may increase but not decrease the base salary during the Term. In the absence of action by the Bank Board, the Executive shall continue to receive an annual base salary at the rate specified above on the Effective Date or, if another rate has been established under this Section 3(a), the rate last properly established by action of the Bank Board under this Section 3(a). The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "Base Salary."

(b) **Annual Bonuses.** For each completed fiscal year of the Bank ("Fiscal Year") during the Term, the Executive shall have the opportunity to earn an annual bonus pursuant to an incentive plan or program ("AIP"), based on achievement of annual performance goals established by the Compensation Committee of the Board of Directors of the Bank in its discretion (an "Annual Bonus") with a target amount determined annually based on review of market data for similarly situated executives.

(c) **Long-Term Equity Incentive Awards.** If the Company adopts a shareholder-approved long-term equity incentive equity plan ("Equity Plan"), the Executive will be eligible for time-based and performance-based awards under the Equity Plan.

(d) **Employee Benefits.** During the Term, the Executive will be entitled to participate in or receive benefits under all employee benefit plans, programs, arrangements and practices in which Executive was participating or otherwise deriving benefit immediately prior to the Effective Date, including but not limited to the Bank's tax-qualified pension plan, tax-qualified 401(k) plan, supplemental non-qualified deferred compensation plans, medical plan, dental plan, vision plan, life insurance plan, short-term and long-term disability plans, fringe benefit arrangements, and executive perquisite arrangements (including, but not limited to, automobile and club memberships and dues) (collectively, the "Benefit Plans"). During the Term, and to the extent consistent with applicable law, the Bank will not, without the Executive's prior written consent, make any changes to any material Benefit Plan that would be materially adversely affect the Executive's rights or benefits under such Benefit Plan unless an equitable arrangement (embodied in an ongoing or substitute arrangement) is made with respect to such change.

(f) **Paid Time Off**. During the Term, the Executive shall be eligible for paid time off during a calendar year (prorated for partial years) in accordance with the Bank's paid time off policies, as in effect from time to time.

(g) **Business Expenses/Automobile.** The Executive shall be eligible for reimbursement of all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Bank's expense reimbursement policies and procedures. In addition, during the Term the Bank will provide Executive with an automobile allowance that approximates the expense of a Bank-provided automobile and related insurance, maintenance and fuel costs. Executive will comply with reasonable reporting and expense limitations as the Bank may establish from time to time.

(h) **Indemnification.** The Bank and the Company shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at their expense and each such party shall indemnify the Executive (and his heirs, executors and administrators) to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Company or the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgments, court costs and attorneys' fees and the costs of reasonable settlements.

4. **Termination of Employment.**

(a) Subject to its payment obligations under this Section and Section 5 or 6, if applicable, the Company and the Bank may terminate the Executive's employment with the Company and the Bank and this Agreement at any time, with or without Cause (as defined in subsection (b) below), by providing at least thirty (30) days prior written notice (with the exception of a termination for Cause, for which no prior written notice is required) setting forth the provision of the Agreement under which the Company and the Bank intend to terminate the Executive's employment and that satisfies any additional specific notice provisions under such provision. The Executive may voluntarily terminate his employment with the Company and the Bank and this Agreement at any time, with or without Good Reason (as defined in subsection (c) below), by providing at least thirty (30) days prior written notice to the Company and the Bank setting forth the provision of the Agreement under which the Executive intends to terminate the Executive's employment and that satisfies any additional specific notice provisions under such provision. Upon termination of the Executive's employment and this Agreement during the Term, the Executive shall be entitled to the following in addition to any benefits payable under Section 5 or 6, as applicable, and shall have no further rights to any compensation or any other benefits from the Company or the Bank or any other affiliate of the Company:

(i) Any earned but unpaid Base Salary through the effective date of the Executive's termination of employment with the Company and the Bank (the "Termination Date"), paid in accordance with Section 3(a).

(ii) Provided that the Executive applies for reimbursement in accordance with the Bank's established reimbursement policies (within the period required by such policies but under no circumstances less than thirty (30) days after his Termination Date), the Bank shall pay the Executive any reimbursements to which he is entitled under such policies.

(iii) Any benefits (other than severance) payable to the Executive under any of the Bank's incentive compensation or employee benefit plans or programs shall be payable in accordance with the provisions of those plans or programs.

(iv) All rights to indemnification and directors and officers liability insurance provided under Section 3(h).

Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors of the Company or the Bank or of any other affiliate of the Company.

(b) For purposes of this Agreement, "Cause" means the occurrence of any of the following during the Term:

(i) the Executive's personal dishonesty, act or failure to act constituting willful misconduct or gross negligence that is materially injurious to the Company or the

Bank or their reputation, breach of fiduciary duty involving personal profit, or willful violation of any law, rule, regulation (other than traffic violations or similar offenses), final cease and desist order;

(ii) the Executive's material failure to perform the duties of his employment with the Company or the Bank (except in the case of a termination of the Executive's employment for Good Reason or on account of the Executive's physical or mental inability to perform such duties) and the failure to correct such failure within thirty (30) days after receiving written notice from the Bank specifying such failure in detail;

(iii) the Executive's willful failure to comply with any valid and legal written directive of the Company Board or the Bank Board;

(iv) the Executive's willful and material violation of the Company's or the Bank's code of ethics or conduct policies which results in material harm to the Company or the Bank;

(v) the Executive's failure to follow the policies and standards of the Company, the Bank or any affiliate of the Company or the Bank as the same shall exist from time to time, provided that the Executive shall have received written notice from the Company or the Bank or the relevant affiliate of such failure and such failure shall have continued or recurred for ten (10) days following the date of such notice;

(vi) the written requirement or direction of a federal or state regulatory agency having jurisdiction over the Company or the Bank or any other affiliate of the Company that the Executive's employment with the Company or the Bank be terminated;

(vii) the Executive's conviction of or plea of nolo contendere to (i) a felony or (ii) a lesser criminal offense involving dishonesty, breach of trust, or moral turpitude; or

(viii) the Executive's intentional breach of a term, condition, or covenant of this Agreement that results in material harm to the Company or the Bank and the failure to correct such violation within thirty (30) days after receipt of written notice from the Bank specifying such breach in detail.

For purposes of this definition, no act or failure to act shall be considered "willful" if the Executive acted or failed to act either (i) in good faith or (ii) with a reasonable belief that his act or failure to act was not opposed to the Company's and Bank's best interests.

(c) For purposes of this Agreement, "Good Reason" means the occurrence of any of the following during the Term without the express written consent of the Executive:

(i) the material reduction of Executive's base compensation (including target bonus),

(ii) the material reduction of Executive's duties and responsibilities as set forth herein (including material reduction in status, material reduction in offices and/or a requirement to report to any person or entity other than the Boards of Directors of the Company and the Bank),

(iii) a material breach of this Agreement by the Bank or the Company, or

(iv) the relocation of Executive's principal place of employment that increases Executive's one-way commute by more than thirty (30) miles.

5. **Non-Change of Control Severance Benefit.**

(a) Subject to (i) the Executive's timely execution of a Release in accordance with Section 18, (ii) the expiration of any applicable waiting periods contained herein, and (iii) the following provisions of this Section 5, the Bank shall provide the Executive with the payments and benefits set forth in this Section 5 if, during the Term and before the occurrence of a Change of Control, either (1) the Company and the Bank terminate the Executive's employment with the Company and the Bank and this Agreement other than pursuant to Section 8, or (2) the Executive terminates his employment with the Company and the Bank and this Agreement for Good Reason pursuant to Section 9. Notwithstanding the preceding provisions of this subsection (a), the Executive shall not be entitled to severance benefits pursuant to this Section 5 if he is entitled to severance benefits pursuant to Section 6. Any amount payable to the Executive pursuant to this Section 5 is in addition to amounts already owed to the Executive by the Bank and is in consideration of the covenants set forth in this Agreement and/or the Release.

(b) The Bank shall pay to the Executive an amount equal to three (3) times the sum of Executive's Base Salary and Target Bonus in effect on the Termination Date, with such amount paid as salary continuation in substantially equal installments over the thirty-six (36) month period following the Termination Date in accordance with the Bank's customary payroll practices regarding the payment of base salary to executives but no less frequently than monthly (i.e., as if the Executive were still employed and receiving Base Salary pursuant to Section 3(a) of this Agreement), except that the first payment shall be made within 60 days following the Termination Date and shall include all installments that would have been paid earlier had the installment stream commenced immediately following the Termination Date.

(c) If the Executive timely and properly elects continued Bank-provided group health plan coverage pursuant to the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), the Bank shall reimburse the Executive in an after-tax amount (determined using an assumed aggregate tax rate of 40%) equal to the monthly COBRA premium paid by the Executive for such coverage less the active employee premium for such coverage. Executive shall be eligible to receive such reimbursement until the earliest of: (i) the period of time used to calculate the Executive's severance pay pursuant to Section 5(b); (ii) the date Executive is no longer eligible to receive COBRA continuation coverage; or (iii) the date on which Executive either receives or becomes eligible to receive substantially similar coverage from another employer.

(d) The Bank shall pay to the Executive any unpaid Annual Bonus for the completed Fiscal Year preceding the Fiscal Year in which the Termination Date occurs, calculated by taking into account the degree of achievement of the applicable objective performance goals for such preceding Fiscal Year (the "Prior Year Bonus"), in a lump sum on the date on which the Annual Bonus would have been paid to the Executive but for the Executive's termination of employment.

(e) The treatment of any outstanding Equity Plan awards shall be determined in accordance with the terms of the applicable Equity Plan and the applicable award agreements evidencing such awards.

6. **Change of Control Severance Benefit.**

(a) Subject to (i) the expiration of any applicable waiting periods contained herein, and (ii) the following provisions of this Section 6, the Bank shall provide the Executive with the payments and benefits set forth in this Section 6, in lieu of severance payments or benefits under Section 5, if, during the Term and concurrent with or within twenty-four (24) months after a Change of Control (as defined in subsection (g) below), either (A) the Company and the Bank terminate the Executive's employment with the Company and the Bank and this Agreement other than pursuant to Section 8, or (B) the Executive terminates his employment with the Company and the Bank and this Agreement for Good Reason pursuant to Section 9.

(b) Within 60 days following the Termination Date, the Bank shall pay to the Executive a single lump sum payment in an amount equal to three (3) times the sum of the Executive's annual Base Salary, at the greater of the Base Salary in effect on the Change of Control Date (as defined in subsection (h) below) or his Termination Date, and the Executive's Target Bonus, at the greater of his Target Bonus in effect on the Change in Control Date or Termination Date.

(c) Within 60 days following the Termination Date, the Bank shall pay to the Executive a single lump sum payment in an after-tax amount (determined using an assumed aggregate tax rate of 40%) equal to thirty-six (36) times the Bank's monthly COBRA charge in effect on the Termination Date for the type of Bank-provided group health plan coverage in effect for the Executive (e.g., family coverage) on the Termination Date less the active employee charge for such coverage in effect on the Termination Date.

(d) The Bank shall pay to the Executive any Prior Year Bonus in a lump sum on the date on which the Annual Bonus would have been paid to the Executive but for Executive's termination of employment; and

(e) The treatment of any outstanding Equity Plan awards shall be determined in accordance with the terms of the applicable Equity Plan and the applicable award agreements evidencing such awards.

(f) If payments to the Executive pursuant to this Agreement would result in total Parachute Payments (as defined in Section 7) to the Executive, whether or not made pursuant to this Agreement, with a value (as determined pursuant to Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the guidance thereunder) equal to or greater than Executive's Parachute Payment Limit (as defined in Section 7), the provisions of Section 7 shall apply as if set out in this Section 6.

(g) For purposes of this Agreement, "Change in Control" means the first occurrence of any of the following events during the Term:

(i) the acquisition by any person (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 ("Act")), other than by, the Company, the Bank, any other subsidiary of the Company, and any employee benefit plan of the Company or the Bank or any other subsidiary of the Company, of fifty percent (50%) or more of the combined voting power entitled to vote generally in the election of the directors of the Company's or the Bank's then outstanding voting securities;

(ii) the persons who were serving as the members of the Company Board or Bank Board immediately prior to the commencement of a proxy contest relating to the election of directors or a tender or exchange offer for voting securities of the Company or the Bank, as applicable ("Incumbent Directors"), shall cease to constitute at least a majority of such board (or the board of directors of any successor to the Company or the Bank, as applicable) at any time within one year of the election of directors as a result of such contest or the purchase or exchange of voting securities of the Company or the Bank, as applicable, pursuant to such offer, provided that any director elected or nominated for election to the Company Board or Bank Board, as applicable, by a majority of the Incumbent Directors then still in office and whose nomination or election was not made at the request or direction of the person(s) initiating such contest or making such offer shall be deemed to be an Incumbent Director for purposes of this subsection (ii); or

(iii) a sale, transfer, or other disposition of all or substantially all of the assets of the Company or the Bank which is consummated and immediately following which the persons who were the owners of the Company or the Bank, as applicable, immediately prior to such sale, transfer, or disposition, do not own, directly or indirectly and in substantially the same proportions as their ownership immediately prior to the sale, transfer, or disposition, more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of (i) the entity or entities to which such assets or ownership interest are sold or transferred or (ii) an entity that, directly or indirectly, owns more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the entities described in clause (i).

Notwithstanding anything herein to the contrary, the issuance of common stock by the Company or the Bank shall not be deemed to be a Change in Control nor shall any subsequent "second-step" conversion and stock issuance be deemed to be a Change in Control for purposes of this Agreement.

To the extent necessary to comply with Code Section 409A, a Change in Control will be deemed to have occurred only if the event also constitutes a change in the effective ownership or effective control of the Company or the Bank, as applicable, or a change in the ownership of a substantial portion of the assets of the Company or the Bank, as applicable, in each case within the meaning of Treasury Regulation section 1.409A-3(i)(5).

(h) For purposes of this Agreement, "Change of Control Date" means the date on which a Change of Control occurs.

7. **Provisions Relating to Parachute Payments.**

(a) If payments and benefits to or for the benefit of the Executive, whether pursuant to this Agreement or otherwise, would result in total Parachute Payments to the Executive with a value equal to or greater than one hundred percent (100%) of the Executive's Parachute Payment Limit, the amount payable to the Executive shall be reduced so that the value of all Parachute Payments to the Executive, whether or not made pursuant to this Agreement, is equal to the Parachute Payment Limit less One Dollar ($1.00), accomplished by first reducing any amounts payable pursuant to Sections 5(b) and 6(b), as applicable, and then reducing other amounts of compensation to the extent necessary; provided that, no such reduction shall be taken if, after reduction for any applicable federal excise tax imposed on the Executive by Code Section 4999, as well as any federal, state and local income tax imposed on the Executive with respect to the total Parachute Payments, the total Parachute Payments accruing to the Executive would be more than the amount of the total Parachute Payments after (a) taking the reduction described in the first clause of this sentence, and (b) further reducing such payments by any federal, state and local income taxes imposed on the Executive with respect to the total Parachute Payments. The Bank agrees to undertake such reasonable efforts as it may determine in its sole discretion to prevent any payment or benefit under this Agreement (or any portion thereof) from constituting an Excess Parachute Payment.

(b) The amount of Parachute Payments and the Parachute Payment Limit shall be determined as provided in this subsection (b). The Bank shall direct its independent auditor ("Auditor") or such other accounting or law firm experienced in such calculations and acceptable to the Executive to determine whether any Parachute Payments equal or exceed the Parachute Payment Limit and the amount of any adjustment required by subsection (a). The Bank shall promptly give the Executive notice of the Auditor's determination. All reasonable determinations made by the Auditor under this subsection (b) shall be binding on the Company and the Bank and the Executive and shall be made within thirty (30) days after the Termination Date.

(c) For purposes of this Section 7, the following terms have the following meanings:

(i) "Excess Parachute Payment" has the meaning given to such term in Code Section 280G(b)(1).

(ii) "Parachute Payment" has the meaning give to such term in Code Section 280G(b)(2).

(iii) "Parachute Payment Limit" means three (3) times the Executive's "base amount" as defined by Code Section 280G(b)(3).

8. **Termination of Employment by the Company and the Bank for Cause, Death or Disability.**

(a) The Company and the Bank may initiate the termination of the Executive's employment with the Company and the Bank and this Agreement for Cause at any time. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a notice of termination which shall include a copy of a resolution duly adopted by the affirmative vote of not less than a two-thirds (2/3) majority of all of the members of the Company Board and Bank Board at a meeting of each such board called and held for that purpose, finding that in the good faith opinion of such board, Executive was guilty of conduct justifying termination for Cause and specifying the particulars thereof in detail. Executive shall not have the right to receive compensation or other benefits for any period after termination for Cause except as provided in Section 4 of this Agreement.

(b) If the Executive dies before the termination of his employment with the Company and the Bank, his employment and this Agreement shall terminate automatically on the date of his death. In the case of a termination of the Executive's employment with the Company and the Bank on account of death, (i) the Executive shall remain entitled to life insurance benefits pursuant to the Bank's plans, programs, arrangements and practices in this regard, (ii) the Bank shall pay the Executive's beneficiary (as such beneficiary is specified under the Bank's 401(k) retirement plan) an amount equal to one (1) times the sum of the Executive's Base Salary and Target Bonus in effect on the Termination Date in a lump sum within 60 days following the Termination Date, and (iii) the Executive shall not be entitled to severance benefits or payments pursuant to Sections 5 or 6.

(c) The Company and the Bank may initiate the termination of the Executive's employment with the Company and the Bank and this Agreement for Disability at any time. In the case of a termination of the Executive's employment with the Company and the Bank on account of Disability, (i) the Executive shall remain entitled to long-term disability benefits pursuant to the Bank's plans, programs, arrangements and practices in this regard (collectively, the "LTD Plan"), (ii) the Bank shall pay the Executive an amount equal to one (1) times the sum of the Executive's Base Salary and Target Bonus in effect on the Termination Date less the amount expected to be paid under the LTD Plan for the one (1) year period following the Termination Date, with such net amount paid as salary continuation in substantially equal installments over the twelve (12) month period following the Termination Date in accordance with the Bank's customary payroll practices regarding the payment of base salary to executives but no less frequently than monthly (i.e., as if the Executive were still employed and receiving Base Salary pursuant to Section 3(a) of this Agreement), except that the first payment shall be made within 60 days following the Termination Date and shall include all installments that would have been paid earlier had the installment stream commenced immediately following the Termination Date, and (iii) the Executive shall not be entitled to severance benefits or payments pursuant to Sections 5 or 6.

(d) For purposes of this Agreement, "Disability" will occur on the date on which the insurer or administrator of the Bank's program of long-term disability insurance determines that the Executive is eligible to commence benefits under such insurance.

9. **Resignation by Executive for Good Reason.** If an event of Good Reason occurs during the Term, the Executive may, at any time within the ninety (90) day period following the initial occurrence of such event, provide the Bank Board with a written notice of termination specifying the event of Good Reason and notifying the Company and the Bank of his intention to terminate his employment with the Company and the Bank upon the Company's and the Bank's failure to correct the event of Good Reason within thirty (30) days following receipt of the Executive's notice of termination. If the Company and the Bank fails to correct the event of Good Reason and provide the Executive with notice of such correction within such thirty (30) day period, the Executive's employment with the Company and the Bank and this Agreement shall terminate as of the end of such period and the Executive shall be entitled to benefits as provided in Section 4 and Section 5 or 6, as applicable.

10. **Withholding and Taxes.** The Company and the Bank may withhold from any payment made hereunder (i) any taxes that the Company or the Bank reasonably determines are required to be withheld under federal, state, or local tax laws or regulations, and (ii) any other amounts that the Company or the Bank is authorized to withhold. Except for employment taxes that are the obligation of the Company or the Bank, the Executive shall pay all federal, state, local, and other taxes (including, without limitation, interest, fines, and penalties) imposed on him under applicable law by virtue of or relating to the payments and/or benefits contemplated by this Agreement, subject to any reimbursement provisions of this Agreement.

11. **Use and Disclosure of Confidential Information.**

(a) The Executive acknowledges and agrees that (i) by virtue of his employment with the Company and the Bank, he will be given access to, and will help analyze, formulate or otherwise use, Confidential Information, (ii) the Company and the Bank have devoted (and will devote) substantial time, money, and effort to develop Confidential Information and maintain the proprietary and confidential nature thereof, and (iii) Confidential Information is proprietary and confidential and, if any Confidential Information were disclosed or became known by persons engaging in a business in any way competitive with the Company's Business, such disclosure would result in hardship, loss, irreparable injury, and damage to the Company or the Bank, the measurement of which would be difficult, if not impossible, to determine. Accordingly, the Executive agrees that (i) the preservation and protection of Confidential Information is an essential part of his duties of employment and that, as a result of his employment with the Company and the Bank, he has a duty of fidelity, loyalty, and trust to the Company and the Bank in safeguarding Confidential Information. The Executive further agrees that he will use his best efforts, exercise utmost diligence, and take all reasonable steps to protect and safeguard Confidential Information, whether such information derives from the Executive, other employees of the Company or the Bank, Customers, Prospective Customers, or vendors or suppliers of the Company of the Bank, and that he will not, directly or indirectly, use, disclose, distribute, or disseminate to any other person or entity or otherwise employ Confidential Information, either for his own benefit or for the benefit of another, except as required in the ordinary course of his employment by the Company and the Bank. The Executive shall follow all Company and Bank policies and procedures to protect all Confidential Information and shall take all reasonable precautions necessary under the circumstances to preserve and protect against the prohibited use or disclosure of any Confidential Information.

(b) For purposes of this Agreement, "Confidential Information" means the following:

(i) materials, records, documents, data, statistics, studies, plans, writings, and information (whether in handwritten, printed, digital, or electronic form) relating to the Company's Business that are not generally known or available to the Company's business, trade, or industry or to individuals who work therein other than through a breach of this Agreement, or

(ii) trade secrets of the Company or the Bank.

Confidential Information also includes, but is not limited to: (1) information about Company or Bank employees; (2) information about the Company's or the Bank's compensation policies, structure, and implementation; (3) hardware, software, and computer programs and technology used by the Company or the Bank; (4) Customer and Prospective Customer identities, lists, and databases, including private information related to customer history, loan activity, account balances, and financial information; (5) strategic, operating, and marketing plans; (6) lists and databases and other information related to the Company's or the Bank's vendors; (7) policies, procedures, practices, and plans related to pricing of products and services; and (8) information related to the Company's or the Bank's acquisition and divestiture strategy. Information or documents that are generally available or accessible to the public shall be deemed Confidential Information, if the information is retrieved, gathered, assembled, or maintained by the Company or the Bank in a manner not available to the public or for a purpose beneficial to the Company or the Bank.

(c) For purposes of this Agreement, "Company's Business" means, collectively, the products and services provided by the Company or the Bank or any other affiliate of the Company, including, but not limited to, lending activities (including individual loans consisting primarily of home equity lines of credit, residential real estate loans, and/or consumer loans, and commercial loans, including lines of credit, real estate loans, letters of credit, and lease financing) and depository activities (including noninterest-bearing demand, NOW, savings and money market, and time deposits), debit and ATM cards, merchant cash management, internet banking, treasury services, (including investment management, wholesale funding, interest rate risk, liquidity and leverage management and capital markets products) and other general banking services.

(d) For purposes of this Agreement, "Customer" means a person or entity who is a customer of the Company or the Bank at the time of the Executive's termination of employment or with whom the Executive had direct contact on behalf of the Company or the Bank at any time during the period of the Executive's employment with the Company and the Bank.

(e) For purposes of this Agreement, "Prospective Customer" means a person or entity who was the direct target of sales or marketing activity by the Executive or whom the Executive knew was a target of the Company's or the Bank's sales or marketing activities during the one year period preceding the termination of the Executive's employment with the Company and the Bank.

(f) The confidentiality obligations contained in this Agreement shall continue as long as Confidential Information remains confidential (except that the obligations shall continue, if Confidential Information loses its confidential nature through improper use or disclosure, including but not limited to any breach of this Agreement and such use or disclosure is known to the Executive) and shall survive the termination of this Agreement and/or termination of the Executive's employment with the Company and the Bank.

12. **Nondisparagement.** The Executive agrees not to make any oral or written statement or take any other action that disparages or criticizes the Company or the Bank or their management or practices, that damages the Company's or the Bank's good reputation, or that impairs the normal operations of the Company or the Bank. The Executive understands that this nondisparagement provision does not apply on occasions when the Executive is subpoenaed or ordered by a court or other governmental authority to testify or give evidence and must, of course, respond truthfully, to conduct otherwise protected by the Sarbanes-Oxley Act, or to conduct or testimony in the context of enforcing the terms of this Agreement or other rights, powers, privileges, or claims not released by this Agreement. The Executive also understands that the foregoing nondisparagement provision does not apply on occasions when the Executive provides truthful information in good faith to any federal, state, or local governmental body, agency, or official investigating an alleged violation of any antidiscrimination or other employment-related law or otherwise gathering information or evidence pursuant to any official investigation, hearing, trial, or proceeding. Nothing in this nondisparagement provision is intended in any way to intimidate, coerce, deter, persuade, or compensate the Executive with respect to providing, withholding, or restricting any communication whatsoever to the extent prohibited under 18 U.S.C. §§ 201, 1503, or 1512 or under any similar or related provision of state or federal law. In addition, nothing in this provision is intended to require the Executive to provide notice to the Company or the Bank or their attorneys before reporting any possible violations of federal law or regulation to any governmental agency or entity ("Whistleblower Disclosures"), and the Executive is not required to notify the Company or the Bank or their attorneys that the Executive has made any such Whistleblower Disclosures. The Company and the Bank agree not to make any oral or written statement or take any other action

that disparages or criticizes the Executive or his good reputation both during the period of employment of the Executive with the Bank and the Company and at any time thereafter.

13. **Ownership of Documents and Return of Materials At Termination of Employment.**

(a) Any and all documents, records, and copies thereof, including but not limited to hard copies or copies stored digitally or electronically, pertaining to or including Confidential Information (collectively, "Company Documents") that are made or received by the Executive during his employment with the Company and the Bank shall be deemed to be property of the Company and the Bank. The Executive shall use Company Documents and information contained therein only in the course of his employment with the Company and the Bank and for no other purpose. The Executive shall not use or disclose any Company Documents to anyone except as authorized in the course of his employment and in furtherance of the Company's Business.

(b) Upon termination of employment, the Executive shall deliver to the Company and the Bank, as soon as practicably possible (with or without request) all Company Documents and all other Company and Bank property in the Executive's possession or under his custody or control.

14. **Non-Solicitation of Customers and Employees.** The Executive agrees that during the Term and for a period of twelve (12) months following the termination of the Executive's employment with the Company and the Bank, other than a termination of the Executive's employment with the Company and the Bank following a Change in Control, the Executive shall not, directly or indirectly, individually or jointly, (i) solicit in any manner, seek to obtain or service, or accept the business of any Customer or any product or service of the type offered by the Company or the Bank or competitive with the Company's Business, (ii) solicit in any manner, seek to obtain or service, or accept the business of any Prospective Customer for any product or service of the type offered by the Company or the Bank or otherwise competitive with the Company's Business, (iii) request or advise any Customer, Prospective Customer, or supplier of the Company or the Bank to terminate, reduce, limit, or change its business or relationship with the Company or the Bank, or (iv) induce, request, or attempt to influence any employee of the Company or the Bank to terminate his employment with the Company or the Bank.

15. **Covenant Not to Compete.** The Executive hereby understands and acknowledges that, by virtue of his position with the Company and the Bank, he has obtained advantageous familiarity and personal contacts with Customers and Prospective Customers, wherever located, and the business, operations, and affairs of the Company and the Bank. Accordingly, except as set forth in subparagraph (b) of this Section 15, during the term of this Agreement and for a period of twelve (12) months following the termination of his employment with the Company and the Bank ("Restriction Period") other than a termination of the Executive's employment with the Company and the Bank following a Change in Control or the involuntary termination of Executive's employment by the Bank or the Company, the Executive shall not, directly or indirectly, except as agreed to by duly adopted resolution of the Bank Board:

(a) as owner, officer, director, stockholder, investor, proprietor, organizer, employee, agent, representative, consultant, independent contractor, or otherwise, engage in the same trade or business as the Company's Business, in the same or similar capacity as the Executive worked for the Company and the Bank, or in such capacity as would cause the actual or threatened use of the Company's or the Bank's trade secrets and/or Confidential Information; provided, however, that this subsection (a) shall not restrict the Executive from acquiring, as a passive investment, less than five percent (5%) of the outstanding securities of any class of an entity that are listed on a national securities exchange or actively traded in the over-the-counter market. The Executive acknowledges and agrees that, given the level of trust and responsibility given to him while in the Company's and the Bank's employ, and the level and depth of trade secrets and Confidential Information entrusted to him, any immediately subsequent employment with a competitor to the Company's Business would result in the inevitable use or disclosure of the Company's and the Bank's trade secrets and Confidential Information and, therefore, the duration of this year restriction is reasonable and necessary to protect against such inevitable disclosure; or

(b) offer to provide employment or work of any kind (whether such employment is with the Executive or any other business or enterprise), either on a full-time or part-time or consulting basis, to any person who then currently is an employee of the Company or the Bank.

The restrictions on the activities of the Executive contained in this Section 15 shall be limited to the following geographical areas: all counties in which Company or the Bank or any other affiliate of the Company maintains an office or branch or has filed an application for regulatory approval to establish an office or branch as of date of termination, except as agreed otherwise by the Bank Board.

16. **Remedies.** The Executive agrees that the Company and the Bank will suffer irreparable damage and injury and will not have an adequate remedy at law if the Executive breaches any provision of the restrictions contained in Sections 11, 12, 13, 14 and 15 (the "Restrictive Covenants"). Accordingly, if the Executive breaches or threatens or attempts to breach the Restrictive Covenants, in addition to all other available remedies, the Company and the Bank shall be entitled to seek injunctive relief, and no or minimal bond or other security shall be required in connection therewith. The Executive acknowledges and agrees that in the event of termination of this Agreement for any reason whatsoever, the Executive can obtain employment not competitive with the Company's Business (or, if competitive, outside of the geographic and customer-specific scope described herein) and that the issuance of an injunction to enforce the provisions of the Restrictive Covenants shall not prevent the Executive from earning a livelihood. The Restrictive Covenants are essential terms and conditions to the Company entering into this Agreement, and they shall be construed as independent of any other provision in this Agreement or of any other agreement between the Executive and the Company or the Bank. The existence of any claim or cause of action that the Executive has against the Company or the Bank, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company or the Bank of the Restrictive Covenants.

17. **Reasonableness of Restrictions and Covenants.** The Company, the Bank and the Executive acknowledge and agree that the restrictions and covenants contained in Sections 14 and 15 are reasonable in view of the nature of the Company's Business and the Executive's advantageous knowledge of and familiarity with the Company's Business, operations, affairs, and Customers.

18. **Requirements for a Separation Agreement and Release**. The Non-Change of Control Severance payments and benefits under Section 5 of this Agreement are conditioned upon Executive timely signing, returning, not revoking, and thereafter complying fully with a Separation Agreement and Release prepared by the Company or the Bank and containing a release of claims, covenant not to sue, non-disparagement clause, and other terms regularly included by the Company in severance agreements for executive-level employees (the "Separation Agreement and Release").

The Separation Agreement and Release will release rights and claims against the Company and the Bank that are in existence when Executive signs it, whether they are known or not known by Executive, other than those rights and claims that are not lawfully waivable. The Separation Agreement and Release will not release vested rights under the benefit plans sponsored by the Company or the Bank. It will be provided to Executive promptly following the Termination Date. The Separation Agreement and Release will specify the time period for Executive to review and consider it and the deadline for executing and returning it to the Company, as well as any applicable revocation period. If Executive does not sign and return the Separation Agreement and Release or, if applicable, timely revokes it, Executive shall be entitled only to the payments and benefits in Section 4(a) of this Agreement through his Termination Date, and the additional amounts set forth in Section 5 shall not be payable.

19. **Cooperation.** The parties agree that certain matters in which the Executive will be involved during the Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment with the Company and the Bank for any reason, to the extent reasonably requested by the Company or the Bank and subject to the Executive's professional commitments, the Executive shall cooperate with the Company and the Bank in connection with matters arising out of the Executive's service to the Company and the Bank, such cooperation to include without limitation the providing of truthful testimony in any hearing or trial as requested by the Company or the Bank or any other affiliate of the Company; provided, however, that the Company and the Bank shall make reasonable efforts to minimize disruption of the Executive's other activities. The Bank shall reimburse the Executive for reasonable expenses incurred or compensation not received by the Executive due to such cooperation.

20. **Publicity.** During the Term, the Executive hereby consents to any and all reasonable and customary uses and displays, by the Company, the Bank and their agents, representatives and licensees, of the Executive's name, voice, likeness, image, appearance and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes and all other printed and electronic forms and media throughout the world, at any time during the period of the Executive's employment with the Company and the Bank, for all legitimate commercial and business purposes of the Company and the Bank, without royalty, payment or other compensation to Executive.

21. **Reimbursement of Certain Costs.**

(a) If the Company or the Bank brings a cause of action to enforce the Restrictive Covenants or to recover damages caused by the Executive's breach of the Restrictive Covenants, the substantially prevailing party in such action shall be entitled to reasonable costs and expenses (including, without limitation, reasonable attorneys' fees, expert witness fees, and disbursements) in connection with such action.

(b) If a dispute arises regarding the Executive's rights hereunder, and the Executive obtains a final judgment in his favor from a court of competent jurisdiction with respect to such dispute, all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees, expert witness fees, and disbursements) incurred by the Executive in connection with such dispute or in otherwise pursuing a claim based on a breach of this Agreement, shall be paid by the Bank.

22. **No Reliance.** The Executive represents and acknowledges that in executing this Agreement, the Executive does not rely and has not relied upon any representation or statement by the Company or the Bank or their agents, other than statements contained in this Agreement.

23. **Effect of Banking Statutes and Regulations.** Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Bank or Company whether pursuant to this Agreement or otherwise, are subject to and conditioned upon their compliance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359. In addition, the Executive agrees that this Agreement is subject to amendment at any time in order to comply with laws that are applicable to the Bank (including regulations and rules relating to any governmental program in which Company or the Bank may participate).

24. **Section 409A.** To the extent necessary to ensure compliance with Code Section 409A ("Section 409A"), the provisions of this Section 24 shall govern in all cases over any contrary or conflicting provision in this Agreement.

(a) It is intended that this Agreement comply with the requirements of Section 409A and all guidance issued thereunder by the U.S. Internal Revenue Service with respect to any nonqualified deferred compensation subject to Section 409A. This Agreement shall be interpreted and administered to maximize the exemptions from Section 409A and, to the extent this Agreement provides for deferred compensation subject to Section 409A, to comply with Section 409A and to avoid the imposition of tax, interest and/or penalties upon Executive under Section 409A. The Company and the Bank do not, however, assume any economic burdens associated with Section 409A. Although the Company and the Bank intend to administer this Agreement to prevent taxation under Section 409A, they do not represent or warrant that this Agreement complies with any provision of federal, state, local, or non-United States law. The Company, the Bank, other affiliates of the Bank, and their respective directors, officers, employees and advisers will not be liable to the Executive (or any other individual claiming a benefit through the Executive) for any tax, interest, or penalties the Executive may owe as a result of this Agreement. Neither the Company, the Bank nor any other affiliate of the Company has any obligation to indemnify or otherwise protect the Executive from any obligation to pay taxes under Section 409A.

(b) The right to a series of payments under this Agreement will be treated as a right to a series of separate payments. Each payment under this Agreement that is made within 2-½ months following the end of the year that contains the Termination Date is intended to be exempt from Section 409A as a short-term deferral within the meaning of the final regulations under Section 409A. Each payment under this Agreement that is made later than 2-½ months following the end of the year that contains the Termination Date is intended to be exempt from Section 409A under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation. Then, each payment that is made after the two-times exception ceases to be available shall be subject to delay, as necessary, as specified below.

(c) To the extent necessary to comply with Section 409A, in no event may the Executive, directly or indirectly, designate the taxable year of payment. In particular, to the extent necessary to comply with Section 409A, if any payment to the Executive under this Agreement is conditioned upon the Executive executing and not revoking a release of claims and if the designated payment period for such payment begins in one taxable year and ends in the next taxable year, the payment will be made in the later taxable year.

(d) To the extent necessary to comply with Section 409A, references in this Agreement to "termination of employment" or "terminates employment" (and similar references) shall have the same meaning as "separation from service" under Section 409A(a)(2)(A)(i) and any governing Internal Revenue Service guidance and Treasury regulations ("Separation from Service"), and no payment subject to Section 409A that is payable upon a termination of employment shall be paid unless and until (and not later than applicable in compliance with Section 409A) the Executive incurs a Separation from Service. In addition, if the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) at the time of the Executive's Separation from Service, any nonqualified deferred compensation subject to Section 409A that would otherwise have been payable on account of, and within the first six months following, the Executive's Separation from Service, and not by reason of another event under Section 409A(a)(2)(A), will become payable on the first business day after six months following the date of the Executive's Separation from Service or, if earlier, the date of the Executive's death.

(e) To the extent that any payment of or reimbursement by the Bank to the Executive of eligible expenses under this Agreement constitutes a "deferral of compensation" within the meaning of Section 409A (a "Reimbursement") (i) the Executive must request the Reimbursement (with substantiation of the expense incurred) no later than 90 days following the date on which the Executive incurs the corresponding eligible expense; (ii) subject to any shorter time period provided in any Bank expense reimbursement policy or specifically provided otherwise in this Agreement, the Bank shall make the Reimbursement to the Executive on or before the last day of the calendar year following the calendar year in which the Executive incurred the eligible expense; (iii) the Executive's right to Reimbursement shall not be subject to liquidation or exchange for another benefit; (iv) the amount eligible for Reimbursement in one calendar year shall not affect the amount eligible for Reimbursement in any other calendar year; and (v) except as specifically provided otherwise in this Agreement, the period during which the Executive may incur expenses that are eligible for Reimbursement is limited to five calendar years following the calendar year in which the Termination Date occurs.

25. **Miscellaneous Provisions.**

(a) **Further Assurances.** Each of the parties hereto shall do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered at any time and from time to time upon the request of any other party hereto, all such further acts, documents, and instruments as may be reasonably required to effect any of the transactions contemplated by this Agreement.

(b) **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither party hereto may assign this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, (i) the Company or the Bank, as applicable, shall require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company or the Bank, as applicable, to expressly assume, in writing, all of the Company's or the Bank's, as applicable, obligations to the Executive hereunder and the Executive hereby consents to the assignment of the Restrictive Covenants under this Agreement to any successor or assign of the Company or the Bank, as applicable, and (ii) upon the Executive's death, this Agreement shall inure to the benefit of and be enforceable by the Executive's executors, administrators, representatives, heirs, distributees, devisees, and legatees and all amounts payable hereunder shall be paid to such persons or the estate of the Executive.

(c) **Waiver; Amendment.** No provision or obligation of this Agreement may be waived or discharged unless such waiver or discharge is agreed to in writing and signed by a duly authorized officer of the Company and the Bank and the Executive. The waiver by any party hereto of a breach of or noncompliance with any provision of this Agreement shall not operate or be construed as a continuing waiver or a waiver of any other or later breach or noncompliance. Except as expressly provided otherwise herein, this Agreement may be amended or supplemented only by a written agreement executed by a duly authorized officer of the Company, a duly authorized officer of the Bank and the Executive.

(d) **Headings.** The headings in this Agreement have been inserted solely for ease of reference and shall not be considered in the interpretation or enforcement of this Agreement.

(e) **Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement. The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law. The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

(f) **Notice.** Any notice, request, instruction, or other document to be given hereunder to any party shall be in writing and delivered by hand, registered or certified United States mail, return receipt requested, or other form of receipted delivery, with all expenses of delivery prepaid, at the address specified for such party below (or such other address as specified by such party by like notice):

If to the Executive:	At the address maintained in the personnel records of the Bank.
If to the Company:	NorthEast Community Bancorp, Inc.
	325 Hamilton Avenue, White Plains, NY, 10601
	Attn: Corporate Secretary of the Board of Directors
If to the Bank:	NorthEast Community Bank
	325 Hamilton Avenue, White Plains, NY, 10601
	Attn: Corporate Secretary of the Board of Directors

(g) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument.

(h) **Governing Law; Arbitration.** This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York (without regard to its choice of law provisions). Except as set forth in Section 16 of this Agreement, any dispute or controversy arising under or in connection with this Agreement or the Executive's employment hereunder, shall be settled exclusively by arbitration, conducted before a single arbitrator in the location where the Company's principal business offices are located in accordance with the rule of the American Arbitration Association. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The parties acknowledge and agree that in connection with any such arbitration and regardless of outcome, (a) each party shall pay all of its own costs and expenses, including, without limitation, its own legal fees and expenses, and (b) the arbitration costs shall be borne entirely by the Bank.

(i) **Entire Agreement.** This Agreement constitutes the entire and sole agreement between the Company and the Bank and the Executive with respect to the Executive's employment with the Company and the Bank or the termination thereof, and there are no other agreements or understandings either written or oral with respect thereto. The parties agree that any and all prior employment agreements between the parties have been terminated and are of no further force or effect.

(j) **Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.**

26. **Review and Consultation. THE EXECUTIVE HEREBY ACKNOWLEDGES AND AGREES THAT HE (I) HAS READ THIS AGREEMENT IN ITS ENTIRETY PRIOR TO EXECUTING IT, (II) UNDERSTANDS THE PROVISIONS AND EFFECTS OF THIS AGREEMENT, (III) HAS CONSULTED WITH SUCH ADVISORS AS HE HAS DEEMED APPROPRIATE IN CONNECTION WITH HIS EXECUTION OF THIS AGREEMENT, AND (IV) HAS EXECUTED THIS AGREEMENT VOLUNTARILY. THE EXECUTIVE HEREBY UNDERSTANDS, ACKNOWLEDGES, AND AGREES THAT THIS AGREEMENT HAS BEEN PREPARED BY COUNSEL FOR THE COMPANY AND THE BANK AND THAT THE EXECUTIVE HAS NOT RECEIVED ANY ADVICE, COUNSEL, OR RECOMMENDATION WITH RESPECT TO THIS AGREEMENT FROM THE COMPANY OR THE BANK OR THEIR COUNSEL.**

27. **Survival.** Upon any expiration or other termination of this Agreement: (i) each of Sections 3(h) (Indemnification), 11 - 17 (Restrictive Covenants), 19 (Cooperation), 23 (Required Provisions), 24 (Section 409A) and 26 (Review and Consultation) shall survive such expiration or other termination; and (ii) all of the other respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the Company and the Bank has caused this Agreement to be executed by its duly authorized officer, and the Executive has signed this Agreement as of the date first written above.

NORTHEAST COMMUNITY BANK

By: /s/ Kenneth A. Martinek

Duly authorized officer of the Bank

NORTHEAST COMMUNITY BANCORP, INC.

By: /s/ Kenneth A. Martinek

Duly authorized officer of the Company

EXECUTIVE

By: /s/ Jose Collazo
Jose Collazo

Exhibit 21.0

SUBSIDIARIES OF NORTHEAST COMMUNITY BANCORP, INC.

Name	Percent Ownership	State of Incorporation
NorthEast Community Bank*	100%	New York
New England Commercial Properties LLC**	100%	New York
NECB Financial Services Group, LLC**	100%	New York
72 West Eckerson LLC**	100%	New York
166 Route 59 Realty LLC**	100%	New York
3 Winterton Realty LLC**	100%	New York

* Subsidiary of NorthEast Community Bancorp, Inc.
** Subsidiary of NorthEast Community Bank

Exhibit 23.1

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement File No. 333-258165 and No. 333-267659 on Form S-8 of NorthEast Community Bancorp, Inc. of our report dated March 28, 2024, relating to our audit of the consolidated financial statements, which appears in the Annual Report to Stockholders, which is incorporated in this Annual Report on Form 10-K of NorthEast Community Bancorp, Inc. for the year ended December 31, 2023.

/s/ S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 28, 2024

S.R. Snodgrass, P.C. • 2009 Mackenzie Way, Suite 340 • Cranberry Township, Pennsylvania 16066 • Phone: 724-934-0344 • Fax: 724-934-0345

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Kenneth A. Martinek, certify that:

1. I have reviewed this annual report on Form 10-K of NorthEast Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2024

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

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Donald S. Hom, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 28, 2024 /s/ Donald S. Hom

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

Exhibit 32

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

In connection with the Annual Report of NorthEast Community Bancorp, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2023 as filed with the Securities and Exchange Commission (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. §1350, as added by § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

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

Date: March 28, 2024

Exhibit 97

NORTHEAST COMMUNITY BANCORP, INC.
INCENTIVE-COMPENSATION RECOUPMENT POLICY

1. Policy Purpose; Effective Date and Retroactive Application. The purpose of NorthEast Community Bancorp, Inc.'s (the "Company") Incentive-Compensation Recoupment Policy (the "Policy") is to enable the Company to recoup Erroneously Awarded Compensation in the event that the Company is required to prepare an Accounting Restatement. This Policy is designed to comply with, and shall be interpreted in a manner consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 under the Exchange Act and Rule 5608 of the Nasdaq Listing Rules (the "Listing Rule"). The Policy shall apply to any Incentive-Based Compensation that is received by an Executive Officer on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to an Executive Officer prior to the Effective Date, and, subject to the terms stated in this Policy, the Committee may affect recoupment under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date. Unless otherwise defined in this Policy, capitalized terms shall have the meaning set forth in Section 7.

2. Policy Administration. This Policy shall be administered by the Compensation Committee of the Board (the "Committee"), unless otherwise determined by the Board. The Committee shall have full and final authority to make all determinations under this Policy, in each case to the extent permitted under the Listing Rule and in compliance with Section 409A of the Code. All determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its affiliates, its stockholders and Executive Officers. Any action or inaction by the Committee with respect to an Executive Officer under this Policy shall not limit the Committee's actions or decisions not to act with respect to any other Executive Officer under this Policy or under any similar policy, agreement or arrangement, nor shall any such action or inaction serve as a waiver of any rights the Company may have against any Executive Officer other than as set forth in this Policy.

3. Policy Application. This Policy shall apply to all Incentive-Based Compensation received by a person: (a) after beginning service as an Executive Officer; (b) who served as an Executive Officer at any time during the performance period for such Incentive-Based Compensation; (c) while the Company had a class of securities listed on a national securities exchange or a national securities association; and (d) during the three completed fiscal years immediately preceding the Accounting Restatement Date. In addition to such last three completed fiscal years, the immediately preceding clause (d) includes any transition period that results from a change in the Company's fiscal year within or immediately following such three completed fiscal years; provided, however, that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to twelve months shall be deemed a completed fiscal year. For purposes of this Section 3, Incentive-Based Compensation is deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of such period. For the avoidance of doubt, (i) Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition and (ii) compensatory awards that vest solely by reference to the completion of a service period, that are discretionary or that are based on the attainment of goals unrelated to Financial Reporting Measures are not Incentive-Based Compensation for purposes of this Policy.

4. Recoupment Requirement. In the event of an Accounting Restatement, the Company must recoup, reasonably promptly, Erroneously Awarded Compensation, in amounts determined pursuant to this Policy. The Company's obligation to recoup Erroneously Awarded Compensation is not dependent on if or when the Company files restated financial statements. Recoupment under this Policy with respect to an Executive Officer shall not require the finding of any misconduct by such Executive Officer or a finding that such Executive Officer is responsible for the accounting error leading to an Accounting Restatement. In the event of an Accounting Restatement, the Company shall satisfy the Company's obligations under this Policy to recoup any amount owed from any applicable Executive Officer by exercising its sole and absolute discretion in how to accomplish such recoupment, to the extent permitted under the Listing Rule and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. By way of example, the method of recoupment may include, without limitation, any of the following: (i) seeking reimbursement of all or part of any cash or equity-based award; (ii) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid; (iii) cancelling or offsetting against any planned future cash or equity-based awards; (iv) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations thereunder; and (v) any other method authorized by applicable law or contract. For the avoidance of doubt, subject to compliance with applicable law, the Committee may affect recoupment under this Policy from any amount otherwise payable to an Executive Officer, including, without limitation, base salary, bonuses or commissions and compensation previously deferred by the Executive Officer.

   The Company's recoupment obligation pursuant to this Section 4 shall not apply to the extent that the Committee, or in the absence of the Committee, a majority of the independent directors serving on the Board, determines that and one of the following conditions is satisfied and, therefore, recoupment would be impracticable:

   i. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recouped. Before concluding that it would be impracticable to recoup any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recoup such Erroneously Awarded Compensation, document such reasonable attempt(s) to recoup, and provide that documentation to the Stock Exchange; or

   ii. Recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

5. Prohibition on Indemnification and Insurance Reimbursement. The Company is prohibited from indemnifying any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation. Further, the Company is prohibited from paying or reimbursing an Executive Officer for purchasing insurance to cover any such loss.

6. Required Filings. The Company shall file all disclosures with respect to this Policy and actions taken pursuant to this Policy in accordance with the requirements of the federal securities laws, including disclosures required by the Securities and Exchange Commission and the Stock Exchange. A copy of this Policy and any amendments hereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

7. Definitions.

"Accounting Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

"Accounting Restatement Date" means the earlier to occur of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (ii) the date a court, regulatory agency, or other legally authorized body directs the Company to prepare an Accounting Restatement.

"Board" means the board of directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended and any regulations promulgated under the Code.

"Erroneously Awarded Compensation" means, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation previously received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement. The amount of Erroneously Awarded Compensation shall be determined on a gross basis without regard to any taxes paid by the relevant Executive Officer; provided, however, that for Incentive-Based Compensation based on the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount of Erroneously Awarded Compensation shall be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received, and (ii) the Company must maintain documentation of the determination of such reasonable estimate and provide such documentation to the Stock Exchange. In the case of Incentive-Based Compensation credited or contributed to a notional account balance, Erroneously Awarded Compensation shall be the amount subject to recoupment and any earnings accrued on such amount through the date of recoupment.

"Executive Officer" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function , any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. An executive officer of the Company's parent or subsidiary is deemed an "*Executive Officer*" if the executive officer performs policy making functions for the Company.

"Financial Reporting Measure" means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure; provided, however, that a Financial Reporting Measure is not required to be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission to qualify as a Financial Reporting Measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return; revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization; funds from

operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); and any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an Accounting Restatement. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission.

"Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

"Stock Exchange" means the national stock exchange on which the Company's common stock is listed.

8. Acknowledgement. Each Executive Officer shall sign and return to the Company, within 30 calendar days following the later of (i) the effective date of this Policy first set forth above, or (ii) the date the individual becomes an Executive Officer, the Acknowledgement Form attached hereto as Exhibit A, pursuant to which the Executive Officer agrees to be bound by, and to comply with, the terms and conditions of this Policy.

9. Severability. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision shall be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment; Termination. The Board may amend this Policy from time to time in its sole and absolute discretion and may amend this Policy as it deems necessary to comply with the Listing Rule or to comply with (or maintain an exemption from the application of) Section 409A of the Code. The Board may terminate this Policy at any time; provided that the termination of this Policy would not cause the Company to violate the federal securities laws, or the rules promulgated by the Securities and Exchange Commission or the Listing Rule.

11. Other Recoupment Obligations; General Rights. To the extent that the application of this Policy would provide for recoupment of Incentive-Based Compensation that is also subject to recoupment under Section 304 of the Sarbanes-Oxley Act, the amount the Executive Officer has already reimbursed the Company will be credited to the required recoupment under this Policy. This Policy shall not limit the rights of the Company to take any other actions or pursue other remedies that the Company may deem appropriate under the circumstances and under applicable law, in each case to the extent permitted under the Listing Rule and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. Nothing contained in this Policy shall limit the Company's ability to seek recoupment, in appropriate circumstances (including circumstances beyond the scope of this Policy) and as permitted by applicable law, of any amounts from any individual, in each case to the extent permitted under the Listing Rule and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

12. Effective Date; Applicability. The effective date of this Policy is November 15, 2023. This Policy replaces the Clawback Policy adopted by the Board on July 19, 2022. Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this policy shall be deemed to include the restrictions imposed herein and incorporate this policy by reference and, in the event of any inconsistency, the terms of this policy will govern.

13. Successors. This Policy is binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

14. Governing Law. This Policy and all rights and obligations hereunder are governed by and construed in accordance with the laws of the State of New York, excluding any choice of law rules or principles that may direct the application of the laws of another jurisdiction.

Exhibit A

NORTHEAST BANCORP, INC.
INCENTIVE-BASED COMPENSATION RECOUPMENT POLICY

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the NorthEast Bancorp, Inc. (the "Company") Incentive-Based Compensation Recoupment Policy (the "Policy").

By signing this Acknowledgement, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy.

Executive Officer

____
Signature

____
Printed Name

____
Date