

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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  
(State or other jurisdiction of  
incorporation or organization)

86-3173858  
(I.R.S. Employer  
Identification Number)

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

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

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

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

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

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

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

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

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

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

As of May 7, 2024, there were 14,032,696 shares of the registrant's common stock outstanding.

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# PART I —FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	March 31, 2024	December 31, 2023
	(In thousands, except share and per share amounts)	
ASSETS		
Cash and amounts due from depository institutions	\$ 9,940	\$ 13,394
Interest-bearing deposits	97,508	55,277
Total cash and cash equivalents	107,448	68,671
Certificates of deposit	100	100
Equity securities	18,020	18,102
Securities held-to-maturity ( net of allowance for credit losses of \$133 and \$136, fair value of \$12,937 and \$13,126, respectively )	15,735	15,860
Loans receivable	1,654,626	1,586,721
Deferred loan (fees) costs, net	(52)	176
Allowance for credit losses	(4,927)	(5,093)
Net loans	1,649,647	1,581,804
Premises and equipment, net	25,223	25,452
Investments in restricted stock, at cost	614	929
Bank owned life insurance	25,239	25,082
Accrued interest receivable	12,952	12,311
Real estate owned	1,456	1,456
Property held for investment	1,398	1,407
Right of Use Assets – Operating	4,427	4,566
Right of Use Assets – Financing	350	351
Other assets	4,299	8,044
<b>Total assets</b>	<b>\$ 1,866,908</b>	<b>\$ 1,764,135</b>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 288,589	\$ 300,184
Interest bearing	1,223,413	1,099,852
Total deposits	1,512,002	1,400,036
Advance payments by borrowers for taxes and insurance	2,346	2,020
Borrowings	47,000	64,000
Lease Liability – Operating	4,497	4,625
Lease Liability – Financing	580	571
Accounts payable and accrued expenses	11,559	13,558
<b>Total liabilities</b>	<b>1,577,984</b>	<b>1,484,810</b>

See notes to interim unaudited consolidated financial statements.

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

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
	(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; 14,065,796 shares and 14,144,856 shares issued and outstanding, respectively	141	142
Additional paid-in capital	109,267	109,924
Unearned Employee Stock Ownership Plan ("ESOP") shares	(6,346)	(6,563)
Retained earnings	185,542	175,505
Accumulated other comprehensive income	320	317
<b>Total stockholders' equity</b>	<u>288,924</u>	<u>279,325</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 1,866,908</u>	<u>\$ 1,764,135</u>

*See notes to interim unaudited consolidated financial statements.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(In thousands, except per share amounts)</b>	
<b>INTEREST INCOME:</b>		
Loans	\$ 36,703	\$ 27,575
Interest-earning deposits	1,200	703
Securities	218	233
<b>Total Interest Income</b>	<b>38,121</b>	<b>28,511</b>
<b>INTEREST EXPENSE:</b>		
Deposits	12,394	5,552
Borrowings	731	112
Financing lease	10	9
<b>Total Interest Expense</b>	<b>13,135</b>	<b>5,673</b>
<b>Net Interest Income</b>	<b>24,986</b>	<b>22,838</b>
Provision for (reversal of) credit loss	(165)	1
<b>Net Interest Income after Provision for (Reversal of) Credit Loss</b>	<b>25,151</b>	<b>22,837</b>
<b>NON-INTEREST INCOME:</b>		
Other loan fees and service charges	462	607
Earnings on bank owned life insurance	157	150
Investment advisory fees	-	117
Unrealized (loss) gain on equity securities	(82)	225
Other	17	16
<b>Total Non-Interest Income</b>	<b>554</b>	<b>1,115</b>
<b>NON-INTEREST EXPENSES:</b>		
Salaries and employee benefits	5,351	4,542
Occupancy expense	707	669
Equipment	253	304
Outside data processing	637	515
Advertising	88	49
Real estate owned expense	11	21
Other	2,634	2,091
<b>Total Non-Interest Expenses</b>	<b>9,681</b>	<b>8,191</b>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	<b>16,024</b>	<b>15,761</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>4,650</b>	<b>4,517</b>
<b>NET INCOME</b>	<b>\$ 11,374</b>	<b>\$ 11,244</b>
<b>EARNINGS PER COMMON SHARE – BASIC</b>	<b>\$ 0.87</b>	<b>\$ 0.77</b>
<b>EARNINGS PER COMMON SHARE – DILUTED</b>	<b>0.86</b>	<b>0.77</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC</b>	<b>13,118</b>	<b>14,649</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED</b>	<b>13,191</b>	<b>14,696</b>

*See notes to interim unaudited consolidated financial statements.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
<b>Net Income</b>	<b>\$ 11,374</b>	<b>\$ 11,244</b>
<b>Other comprehensive income:</b>		
Defined benefit pension:		
Reclassification adjustments out of accumulated other comprehensive income:		
Amortization of actuarial gain	(13)	(8)
Actuarial loss arising during period	18	18
<b>Total</b>	<b>5</b>	<b>10</b>
Income tax effect <sup>1</sup>	(2)	(3)
<b>Total other comprehensive income</b>	<b>3</b>	<b>7</b>
<b>Total Comprehensive Income</b>	<b>\$ 11,377</b>	<b>\$ 11,251</b>

<sup>1</sup>Amounts are included in provision for income taxes in the consolidated statements of income.

*See notes to interim unaudited consolidated financial statements.*

**NORTHEAST COMMUNITY BANCORP, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Three Months Ended March 31, 2024 and 2023**  
**(Unaudited)**

	Number of Shares, net	Common Stock	Additional Paid- in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
(In thousands, except share and per share amounts)							
<b>Balance – December 31, 2023</b>	14,144,856	\$ 142	\$ 109,924	\$ (6,563)	\$ 175,505	\$ 317	\$ 279,325
Net income	—	—	—	—	11,374	—	11,374
Other comprehensive income	—	—	—	—	—	3	3
Cash dividend declared (\$0.10 per share)	—	—	—	—	(1,337)	—	(1,337)
Stock repurchases	(80,060)	(1)	(1,250)	—	—	—	(1,251)
Compensation expense related to restricted stock awards	—	—	252	—	—	—	252
Compensation expense related to stock options	—	—	192	—	—	—	192
Stock option exercise	1,000	—	14	—	—	—	14
ESOP shares earned	—	—	135	217	—	—	352
<b>Balance – March 31, 2024</b>	<u>14,065,796</u>	<u>\$ 141</u>	<u>\$ 109,267</u>	<u>\$ (6,346)</u>	<u>\$ 185,542</u>	<u>\$ 320</u>	<u>\$ 288,924</u>

	Number of Shares, net	Common Stock	Additional Paid- in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
(In thousands, except share and per share amounts)							
<b>Balance – December 31, 2022</b>	16,049,454	\$ 161	\$ 136,434	\$ (7,432)	\$ 132,670	\$ 156	\$ 261,989
Net income	—	—	—	—	11,244	—	11,244
Other comprehensive income	—	—	—	—	—	7	7
Cash dividend declared (\$0.06 per share)	—	—	—	—	(875)	—	(875)
Stock repurchases	(723,626)	(8)	(10,514)	—	—	—	(10,522)
Restricted stock award	—	—	—	—	—	—	—
Compensation expense related to restricted stock awards	—	—	241	—	—	—	241
Compensation expense related to stock options	—	—	192	—	—	—	192
Cumulative effect of adoption of ASU 2016-13	—	—	—	—	(99)	—	(99)
ESOP shares earned	—	—	109	217	—	—	326
<b>Balance - March 31, 2023</b>	<u>15,325,828</u>	<u>\$ 153</u>	<u>\$ 126,462</u>	<u>\$ (7,215)</u>	<u>\$ 142,940</u>	<u>\$ 163</u>	<u>\$ 262,503</u>

*See notes to interim unaudited consolidated financial statements.*

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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 11,374	\$ 11,244
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of securities premiums and discounts, net	1	10
(Decrease) increase in provision for (reversal of) credit losses	(165)	1
Depreciation	297	316
Net amortization of deferred loan fees and costs	14	119
Deferred income tax benefit	(97)	(89)
Unrealized loss (gain) recognized on equity securities	82	(225)
Earnings on bank owned life insurance	(157)	(150)
ESOP compensation expense	352	326
Compensation expense related to stock options	192	192
Compensation expense related to restricted stock	252	241
Increase in accrued interest receivable	(641)	(1,322)
Decrease in other assets	3,991	3,543
Decrease in accounts payable - loan closing	(59)	(2,705)
Decrease in accounts payable and accrued expenses	(2,528)	(552)
<b>Net Cash Provided by Operating Activities</b>	<b>12,908</b>	<b>10,949</b>
<b>Cash Flows from Investing Activities:</b>		
Net increase in loans	(71,136)	(102,613)
Proceeds from sale of loans	3,424	3,708
Principal repayments on securities available-for-sale	—	1
Principal repayments on securities held-to-maturity	128	142
Redemptions of restricted stock	315	315
Purchases of premises and equipment	(68)	(96)
<b>Net Cash Used in Investing Activities</b>	<b>(67,337)</b>	<b>(98,543)</b>
<b>Cash Flows from Financing Activities:</b>		
Net increase in deposits	111,966	86,438
Repayment of FRB borrowings	(10,000)	—
Repayment of FHLB of NY advances	(7,000)	(7,000)
Stock repurchases	(1,251)	(10,522)
Stock option exercised	14	—
Increase in advance payments by borrowers for taxes and insurance	326	1,384
Cash dividends paid	(849)	(969)
<b>Net Cash Provided by Financing Activities</b>	<b>93,206</b>	<b>69,331</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>38,777</b>	<b>(18,263)</b>
<b>Cash and Cash Equivalents – Beginning</b>	<b>68,671</b>	<b>95,308</b>
<b>Cash and Cash Equivalents – Ending</b>	<b>\$ 107,448</b>	<b>\$ 77,045</b>

*See notes to interim unaudited consolidated financial statements.*



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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>	
<b>Supplementary Cash Flows Information:</b>		
Income taxes paid	\$ 4,019	\$ 371
Interest paid	\$ 12,866	\$ 5,621
<b>Supplementary Disclosure of Non-Cash Investing and Financing Activities:</b>		
Dividends declared and not paid	\$ 1,407	\$ 924

*See notes to interim unaudited consolidated financial statements.*

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

**NORTHEAST COMMUNITY BANCORP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 — Summary of Significant Accounting Policies**

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

**Nature of Business:**

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

The 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 the 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 previously offered 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 Bank entered into an agreement to sell all the Bank's assets relating to Harbor West Wealth Management Group to a third party in December 2023, and the sale closed in January 2024. The Bank no longer offers these services.

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.

NECB Financial terminated its 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. This subsidiary is currently inactive.

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

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

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

**Principal of Consolidations:**

The accompanying unaudited consolidated financial statements include the accounts of the Company, the Bank, NECP, NECB Financial, 72 West Eckerson, 166 Route 59 Realty, and 3 Winterton Realty LLC (collectively the "Company") and have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant inter-company accounts and transactions have been eliminated in consolidation. The accounting and reporting policies of the Company and its subsidiaries conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and to the rules and regulations of the Securities and Exchange Commission (the "SEC"), including the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations. The unaudited consolidated interim financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2023.

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

**Use of Estimates:**

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

**Loan 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.

### Loan Concentration Risk:

The Company's lending activity is concentrated in construction loans secured by the construction of multi-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. As of March 31, 2024 and December 31, 2023, the Company had a majority of construction loans located in New York State, including \$680.8 million and \$626.0 million in the Bronx, \$202.3 million and \$198.5 million in the Town of Monroe, \$134.6 million and \$133.7 million in the Hamlet of Monsey, and \$103.8 million and \$105.9 million in the Village of Spring Valley. At March 31, 2024, the Company had \$78.1 million, or 6.0%, of construction loans located in Rockland County, New York, related to office space or commercial use.

### Note 2 — Regulatory Capital

The Company and the Bank are subject to regulatory capital requirements promulgated by the federal banking agencies. The Federal Reserve establishes capital requirements, including well capitalized standards, for the consolidated bank holding company, and the FDIC has similar requirements for the Company's subsidiary bank. The Bank met all capital adequacy requirements to which it was subject as of March 31, 2024 and December 31, 2023.

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

	Actual		Regulatory Capital Requirements			
			Minimum Capital Adequacy(1)		For Classification as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)						
<b>As of March 31, 2024:</b>						
Total capital (to risk-weighted assets)	\$ 270,492	13.78 %	\$≥ 157,081	≥ 8.00 %	\$≥ 196,352	≥ 10.00 %
Tier 1 capital (to risk-weighted assets)	264,439	13.47	≥ 117,811	≥ 6.00	≥ 157,081	≥ 8.00
Common equity tier 1 capital (to risk-weighted assets)	264,439	13.47	≥ 88,358	≥ 4.50	≥ 127,628	≥ 6.50
Core (Tier 1) capital (to adjusted total assets)	264,439	14.65	≥ 72,195	≥ 4.00	≥ 90,243	≥ 5.00
<b>As of December 31, 2023:</b>						
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

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

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

### Note 3 — Earnings Per Share

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

from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options and are determined using the treasury stock method. The following table sets forth the weighted average shares outstanding used in the computations of basic and diluted earnings per share.

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

	Three Months Ended March 31,	
	2024	2023
	(In Thousands, except per share data)	
Net income (basic and diluted)	\$ 11,374	\$ 11,244
Weighted average shares issued	14,118	15,769
Less: Weighted average unearned ESOP shares	(681)	(768)
Less: Weighted average unvested restricted shares	(319)	(352)
Basic weighted average shares outstanding	13,118	14,649
Add: Dilutive effect of restricted stock	59	47
Add: Dilutive effect of stock options	14	—
Diluted weighted average shares outstanding	13,191	14,696
Net income per share		
Basic	\$ 0.87	\$ 0.77
Diluted	\$ 0.86	\$ 0.77

#### Note 4 — Equity Securities

The following table is the schedule of equity securities at March 31, 2024 and December 31, 2023. The equity securities consists of our investment in a market-rate bond mutual fund that invests in high quality fixed income bonds, mainly government agency securities whose proceeds are designed to positively impact community development throughout the United States. The mutual fund focuses exclusively on providing affordable housing for low- and moderate-income borrowers and renters within our delineated lending areas, including those in majority minority census tracts.

	March 31, 2024	December 31, 2023
	(In Thousands)	
Equity Securities, at Fair Value	\$ 18,020	\$ 18,102

The following is a summary of unrealized loss or gain recognized in net income on equity securities during the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(In Thousands)	
Net (loss) gain recognized on equity securities during the period	\$ (82)	\$ 225
Less: Net losses realized on the sale of equity securities during the period	—	—
Unrealized net (loss) gain recognized on equity securities held at the reporting date	\$ (82)	\$ 225

**Note 5 — Securities Held-to-Maturity**

The following table summarizes the Company's portfolio of securities held-to-maturity at March 31, 2024 and December 31, 2023.

	March 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Loss
	(In Thousands)				
Mortgage-backed securities – residential:					
Government National Mortgage Association	\$ 444	\$ —	\$ 7	\$ 437	\$ —
Federal Home Loan Mortgage Corporation	846	—	113	733	—
Federal National Mortgage Association	1,912	—	210	1,702	—
Collateralized mortgage obligations – GSE	2,868	—	606	2,262	—
Total mortgage-backed securities	6,070	—	936	5,134	—
Municipal Bonds	9,798	—	1,995	7,803	133
	<u>\$ 15,868</u>	<u>\$ —</u>	<u>\$ 2,931</u>	<u>\$ 12,937</u>	<u>\$ 133</u>

  

	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
	<u>\$ 15,996</u>	<u>\$ —</u>	<u>\$ 2,870</u>	<u>\$ 13,126</u>	<u>\$ 136</u>

Contractual final maturities of mortgage-backed securities and municipal bonds were as follows at March 31, 2024:

	March 31, 2024	
	Amortized Cost	Fair Value
	(In Thousands)	
Due within one year	\$ 711	\$ 638
Due after one but within five years	2,019	1,732
Due after five but within ten years	3,176	2,609
Due after ten years	9,962	7,958
	<u>\$ 15,868</u>	<u>\$ 12,937</u>

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

The activity in the allowance for credit losses for debt securities held-to-maturity for the three months ended March 31, 2024 and 2023 was as follows:

	Municipal Bonds	
Balance – December 31, 2023	\$	136
Provision for (reversal of) credit loss		(3)
Balance – March 31, 2024	<u>\$</u>	<u>133</u>

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

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(In Thousands)						
<b>March 31, 2024:</b>						
Mortgage-backed securities - residential:						
Government National Mortgage Association	\$ —	\$ —	\$ 437	\$ 7	\$ 437	\$ 7
Federal Home Loan Mortgage Corporation	—	—	733	113	733	113
Federal National Mortgage Association	—	—	1,702	210	1,702	210
Collateralized mortgage obligations – GSE	—	—	2,262	606	2,262	606
Total mortgage-backed securities	\$ —	\$ —	\$ 5,134	\$ 936	\$ 5,134	\$ 936
	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)						
<b>December 31, 2023:</b>						
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

At March 31, 2024, twenty-six mortgage-backed securities had unrealized losses due to interest rate volatility. Management concluded that the unrealized loss reflected above was temporary in nature since the unrealized loss was related primarily to market interest rate volatility, and was 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, 2023, there were thirty-two mortgage-backed securities that had unrealized losses due to interest rate volatility.

#### Credit Quality Indicators

The held to maturity securities portfolio consists of agency mortgage-backed securities and municipal bonds. All agency mortgage-backed securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The seven municipal bonds in the portfolio carry no lower than A ratings from the rating agencies at March 31, 2024 and have no realized losses since they were issued. The Company regularly monitors the municipal bonds sector of the market and reviews collectability including such factors as the financial condition of the issuers as well as credit ratings in effect as of the reporting period.

**Note 6 — Loans Receivable and the Allowance for Credit Losses**

The composition of loans was as follows at March 31, 2024 and December 31, 2023:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	<b>(In Thousands)</b>	
Residential real estate:		
One-to-four family	\$ 4,647	\$ 5,252
Multi-family	197,946	198,927
Mixed-use	28,500	29,643
Total residential real estate	231,093	233,822
Non-residential real estate	19,130	21,130
Construction	1,293,871	1,219,413
Commercial and industrial	108,882	111,116
Consumer	1,650	1,240
<b>Total Loans</b>	1,654,626	1,586,721
Deferred loan costs, net	(52)	176
Allowance for credit losses	(4,927)	(5,093)
	<b>\$ 1,649,647</b>	<b>\$ 1,581,804</b>

Loans serviced for the benefit of others totaled approximately \$ 44.2 million and \$40.7 million at March 31, 2024 and December 31, 2023, respectively. The value of mortgage servicing rights was not material at March 31, 2024 and December 31, 2023.

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

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



The following tables summarize the allocation of the allowance for credit losses and loans receivable by loan class and credit loss method at March 31, 2024 and December 31, 2023:

**At March 31, 2024:**

	Residential Real Estate	Non- residential Real Estate	Construction	Commercial and Industrial	Consumer	Total
	(In Thousands)					
<b>Allowance for credit losses:</b>						
Ending balance	\$ 2,229	\$ 110	\$ 1,969	\$ 422	\$ 197	\$ 4,927
Ending balance: individually evaluated for credit loss	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ending balance: collectively evaluated for credit loss	\$ 2,229	\$ 110	\$ 1,969	\$ 422	\$ 197	\$ 4,927
<b>Loans receivable:</b>						
Ending balance	\$ 231,093	\$ 19,130	\$ 1,293,871	\$ 108,882	\$ 1,650	\$ 1,654,626
Ending balance: individually evaluated for credit loss	\$ —	\$ —	\$ 4,385	\$ —	\$ —	\$ 4,385
Ending balance: collectively evaluated for credit loss	\$ 231,093	\$ 19,130	\$ 1,289,486	\$ 108,882	\$ 1,650	\$ 1,650,241

**At December 31, 2023:**

	Residential Real Estate	Non- residential Real Estate	Construction	Commercial and Industrial	Consumer	Total
	(In Thousands)					
<b>Allowance for credit losses:</b>						
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
<b>Loans receivable:</b>						
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

The activity in the allowance for credit loss by loan class for the three months ended March 31, 2024 and 2023 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, 2023	\$ 2,433	\$ 126	\$ 1,914	\$ 472	\$ 148	\$ —	\$ 5,093
Charge-offs	—	—	—	—	(21)	—	(21)
Recoveries	—	—	—	—	—	—	—
Provision (reversal of)	(204)	(16)	55	(50)	70	—	(145)
Balance -March 31, 2024	\$ 2,229	\$ 110	\$ 1,969	\$ 422	\$ 197	\$ —	\$ 4,927

	Non-		Commercial				
	Residential	residential		and			
	Real Estate	Real Estate	Construction	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	—	—	—	—	(21)	—	(21)
Recoveries	—	—	—	—	—	—	—
Provision (reversal of)	51	(16)	93	(12)	81	—	197
Balance - March 31, 2023	\$ 1,474	\$ 122	\$ 1,842	\$ 506	\$ 122	\$ —	\$ 4,066

During the three months ended March 31, 2024, the reversal of provision recorded for residential real estate loans was primarily attributed to the decreased loan balances and reduced credit risk. The reversal of provision recorded for non-residential real estate loans and commercial and industrial loans was primarily attributed to the decreased loan balances. The provision expenses recorded for consumer loans were primarily attributed to the increased deposit account overdraft balances. The provision expenses recorded for constructions loans were primarily attributed to the increased construction loan balances, offset by improving economic conditions during the first quarter of 2024.

During the three months ended March 31, 2023, the provision expenses recorded for construction loans and residential real estate loans were primarily attributed to the increased loan balances. The provision expenses recorded for consumer loans were primarily attributed to the increased deposit account overdraft balances.

The Company has two individually evaluated loans, totaling \$4.4 million, which were collateral-dependent construction loans, secured by multi-family real estate, at March 31, 2024 and December 31, 2023, respectively. 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 March 31, 2024.

The Company had no individually evaluated loans at March 31, 2023, and there was no interest income recognized from individually evaluated loans as of March 31, 2023.

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

**As of and for the Three Months Ended March 31, 2024:**

				Three Months Ended March 31, 2024	
2024 - 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	—	4,385	—
Commercial and industrial	—	—	—	—	—
	4,385	4,353	—	4,385	—
With an allowance recorded	—	—	—	—	—
Total:					
Residential real estate	—	—	—	—	—
Non-residential real estate	—	—	—	—	—
Construction	4,385	4,353	—	4,385	—
Commercial and industrial	—	—	—	—	—
	\$ 4,385	\$ 4,353	\$ —	\$ 4,385	\$ —

**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	\$ —

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

**Age Analysis of Past Due Loans as of March 31, 2024:**

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days	Total Past Due (In Thousands)	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
Residential real estate:							
One- to four-family	\$ —	\$ —	\$ —	\$ —	\$ 4,647	\$ 4,647	\$ —
Multi-family	—	—	—	—	197,946	197,946	—
Mixed-use	28	—	—	28	28,472	28,500	—
Non-residential real estate:							
Construction loans	—	4,058	4,385	8,443	1,285,428	1,293,871	—
Commercial and industrial loans	—	—	—	—	108,882	108,882	—
Consumer	—	—	—	—	1,650	1,650	—
	<u>\$ 28</u>	<u>\$ 4,058</u>	<u>\$ 4,385</u>	<u>\$ 8,471</u>	<u>\$ 1,646,155</u>	<u>\$ 1,654,626</u>	<u>\$ —</u>

At March 31, 2024, the \$4.1 million construction loans past due over 60 days consisted of two loans that were secured by the same project located in the Bronx, New York. The two loans were brought current subsequently in April 2024.

**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 (In Thousands)	Current	Total Loans Receivable	Recorded Investment > 90 Days and Accruing
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:							
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	—
	<u>\$ 2,320</u>	<u>\$ —</u>	<u>\$ 4,385</u>	<u>\$ 6,705</u>	<u>\$ 1,580,016</u>	<u>\$ 1,586,721</u>	<u>\$ —</u>

### **Credit Quality Indicators**

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

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

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

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

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

The following table presents the risk category of loans at March 31, 2024 by loan segment and vintage year:

March 31, 2024	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
<b>Residential real estate</b>									
Risk Rating									
Pass	\$ -	\$ 81,063	\$ 72,100	\$ 24,419	\$ 10,645	\$ 41,962	\$ -	\$ -	\$ 230,189
Special Mention	-	-	-	-	904	-	-	-	904
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 81,063</u>	<u>\$ 72,100</u>	<u>\$ 24,419</u>	<u>\$ 11,549</u>	<u>\$ 41,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,093</u>
<b>Residential real estate</b>									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Non-residential real estate</b>									
Risk Rating									
Pass	\$ -	\$ 1,595	\$ 249	\$ 1,825	\$ 989	\$ 14,472	\$ -	\$ -	\$ 19,130
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 1,595</u>	<u>\$ 249</u>	<u>\$ 1,825</u>	<u>\$ 989</u>	<u>\$ 14,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,130</u>
<b>Non-residential real estate</b>									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Construction</b>									
Risk Rating									
Pass	\$ 60,165	\$ 432,874	\$ 483,715	\$ 206,820	\$ 45,429	\$ 60,483	\$ -	\$ -	\$ 1,289,486
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	4,385	-	-	-	4,385
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 60,165</u>	<u>\$ 432,874</u>	<u>\$ 483,715</u>	<u>\$ 206,820</u>	<u>\$ 49,814</u>	<u>\$ 60,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,293,871</u>
<b>Construction</b>									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Commercial and industrial</b>									
Risk Rating									
Pass	\$ 518	\$ 4,888	\$ 7,952	\$ 386	\$ 348	\$ 2,351	\$ 92,439	\$ -	\$ 108,882
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 518</u>	<u>\$ 4,888</u>	<u>\$ 7,952</u>	<u>\$ 386</u>	<u>\$ 348</u>	<u>\$ 2,351</u>	<u>\$ 92,439</u>	<u>\$ -</u>	<u>\$ 108,882</u>
<b>Commercial and industrial</b>									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Consumer</b>									
Risk Rating									
Pass	\$ 1,639	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ -	\$ -	\$ 1,650
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 1,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,650</u>
<b>Consumer</b>									
Current period gross charge-offs	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21
<b>Total</b>									
Risk Rating									
Pass	\$ 62,322	\$ 520,420	\$ 564,016	\$ 233,450	\$ 57,411	\$ 119,279	\$ 92,439	\$ -	\$ 1,649,337
Special Mention	-	-	-	-	904	-	-	-	904
Substandard	-	-	-	-	4,385	-	-	-	4,385
Doubtful	-	-	-	-	-	-	-	-	-
Total	<u>\$ 62,322</u>	<u>\$ 520,420</u>	<u>\$ 564,016</u>	<u>\$ 233,450</u>	<u>\$ 62,700</u>	<u>\$ 119,279</u>	<u>\$ 92,439</u>	<u>\$ -</u>	<u>\$ 1,654,626</u>
<b>Total</b>									
Current period gross charge-offs	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>

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

**Modifications to Borrowers Experiencing Financial Difficulty:**

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

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

There were no loans modified to borrowers experiencing financial difficulty during the three months ended March 31, 2024 or the year ended December 31, 2023.

**Allowance for Credit Losses on Off-Balance Sheet Commitments:**

The following table presents the activity in the allowance for credit losses related to off-balance sheet commitments, that is included in Accounts Payable and Accrued Expenses on the consolidated statement of financial condition, for the three months ended March 31, 2024 and 2023:

	Allowance for Credit Loss	
Balance – December 31, 2023	\$	1,038
Provision for (reversal of) credit loss		(17)
Balance – March 31, 2024	\$	1,021

  

	Allowance for Credit Loss	
Balance – December 31, 2022	\$	-
Impact of adopting ASC 326		1,586
Provision for (reversal of) credit loss		(200)
Balance – March 31, 2023	\$	1,386

**Note 7 — Real Estate Owned (“REO”)**

The Company owned one foreclosed property valued at approximately \$1,456,000 at March 31, 2024 and December 31, 2023, 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 amounted to \$11,000 and \$21,000 for the three months ended March 31, 2024 and 2023, respectively.



## Note 8 — 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 March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
	(Dollars in Thousands)			
Advances maturing in:				
One year or less	\$ —	— %	\$ 7,000	2.86 %
After one to three years	—	—	—	—
After three to four years	—	—	—	—
After five years (due 2030)	7,000	1.61 %	7,000	1.61 %
	<u>\$ 7,000</u>	1.61 %	<u>\$ 14,000</u>	2.24 %

At March 31, 2024, none of the above advances were subject to early call or redemption features. All advances had fixed interest rates, with the remaining term of six years for the advance. At March 31, 2024, 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 March 31, 2024, these unpledged qualifying mortgage loans were not pledged to any company other than the FHLB. At March 31, 2024, the Company had the ability to borrow \$32.1 million, net of \$7.0 million in outstanding advances, from the FHLB and \$8.0 million from Atlantic Community Bankers Bank ("ACBB").

On August 30, 2023, the FRBNY approved the Company's eligibility to pledge loans under the Borrower-in-Custody program of the FRBNY thereby allowing the Company to borrow from the Discount Window at the FRBNY. As of March 31, 2024, the borrowing from FRBNY was \$40.0 million and bears an interest rate of 5.5%. This borrowing matures in June 2024. The Company had an available borrowing limit of \$928.8 million from the FRBNY as of March 31, 2024.

## Note 9 — Benefits Plans

### Outside Director Retirement Plan ("DRP")

The DRP is an unfunded non-contributory defined benefit pension plan covering all non-employee directors meeting eligibility requirements as specified in the plan document. The following table sets forth information regarding the components of net pension periodic expense measured as of March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(Dollars in Thousands)	
Net periodic pension expense:		
Service cost	\$ 23	\$ 31
Interest cost	21	10
Actuarial gain recognized	(13)	(8)
Total net periodic pension expense included in other non-interest expenses	<u>\$ 31</u>	<u>\$ 33</u>

Unrecognized net loss of \$18,000 for the three months ended March 31, 2024 and 2023, respectively, were included in accumulated other comprehensive income.

### **Supplemental Executive Retirement Plan ("SERP")**

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

Expenses of \$130,000 and \$60,000 for the three months ended March 31, 2024 and 2023, respectively, were recorded for this plan and are reflected in the Consolidated Statements of Income under Salaries and Employee Benefits.

### **Stock-Based Deferral Plan**

In June 2021, the Company established a stock-based deferral plan for eligible key executives and members of the Board of Directors of the Company to elect to defer compensation received from the Company for their services and make deemed investments of that deferred compensation in shares of the Company's common stock. At March 31, 2024, the Company did not have any obligations under the plan.

### **401(k) Plan**

The Company maintains a 401(k) plan for all eligible employees. Participants are permitted to contribute from 1% to 15% or 60% of their annual compensation up to the maximum permitted under the Internal Revenue Code. The Company provided no matching contribution during the three months ended March 31, 2024 and 2023.

### **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 at March 31, 2024 and December 31, 2023. The balance remaining on the second ESOP loan was \$6,417,000 at March 31, 2024 and December 31, 2023.

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

ESOP shares initially pledged as collateral were recorded as unearned ESOP shares in the stockholders' equity section of the Consolidated Statement of Financial Condition. Thereafter, on a monthly basis over the terms of the ESOP loans, approximately 2,894 shares for the ESOP loan made in 2006 and approximately 4,348 shares for the ESOP loan made in 2021 are committed to be released, respectively. Compensation expense is recorded equal to the shares committed to be released multiplied by the average closing price of the Company's stock during that month. ESOP expense totaled approximately \$352,000 and \$326,000 for the three months ended March 31, 2024 and 2023,

respectively. Dividends on unallocated shares, which totaled approximately \$70,000 and \$47,000 for the three months ended March 31, 2024 and 2023, are recorded as a reduction of the ESOP loan. Dividends on allocated shares, which totaled approximately \$78,000 and \$42,000 for the three months ended March 31, 2024 and 2023, respectively, are charged to retained earnings.

ESOP shares are summarized as follows:

	March 31, 2024	December 31, 2023
Allocated shares	781,762	694,842
Shares committed to be released	21,729	86,920
Unearned shares	673,918	695,647
<b>Total ESOP Shares</b>	<b>1,477,409</b>	<b>1,477,409</b>
Less allocated shares distributed to former or retired employees	(143,612)	(143,612)
<b>Total ESOP Shares Held by Trustee</b>	<b>1,333,797</b>	<b>1,333,797</b>
Fair value of unearned shares	<u>\$ 10,600,730</u>	<u>\$ 12,340,778</u>

#### Note 10 — Leases

The Company has operating leases and finance leases all of which are 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 on a collateralized basis for a similar term, at the lease commencement date.

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

At March 31, 2024 and December 31, 2023, the quantitative data relating to the Company's leases are as follows (in thousands):

	March 31, 2024	December 31, 2023
<b>Finance Lease Amounts:</b>		
ROU asset	\$ 350	\$ 351
Lease liability	\$ 580	\$ 571
<b>Operating Lease Amounts:</b>		
ROU assets	\$ 4,427	\$ 4,566
Lease liabilities	\$ 4,497	\$ 4,625
<b>Weighted-average remaining lease term</b>		
Finance lease	92.75 years	93 years
Operating leases	8.40 years	8.58 years
<b>Weighted-average discount rate</b>		
Finance lease	9.50 %	9.50 %
Operating leases	5.20 %	5.18 %

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

	Three Months Ended March 31,	
	2024	2023
	(Dollars In Thousands)	
<b>Finance Lease Cost</b>		
Amortization of ROU asset	\$ 1	\$ 1
Interest on lease liability	\$ 10	\$ 9
<b>Operating Lease Costs</b>	\$ 197	\$ 144
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Finance lease	\$ —	\$ —
Operating leases	\$ 183	\$ 142

Maturities of lease liabilities at March 31, 2024 are as follows (in thousands):

	Operating Leases	Finance Lease
Years ended December 31:		
2024	\$ 556	\$ 23
2025	738	30
2026	622	31
2027	637	36
2028	595	36
Thereafter	2,475	4,016
Total lease payments	\$ 5,623	\$ 4,172
Interest	(1,126)	(3,592)
Lease liability	\$ 4,497	\$ 580

#### Note 11 — Fair Value Disclosures

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Company's marketable equity securities 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, individually evaluated loans and other real estate owned. U.S. GAAP has established a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The

hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

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

The level of the asset or liability within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following table sets forth the Company's assets that are carried at fair value on a recurring basis and the level that was used to determine their fair value at March 31, 2024 and December 31, 2023:

Description	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	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
<b>Assets:</b>								
Marketable equity securities:								
Mutual funds	\$ 18,020	\$ 18,102	\$ —	\$ —	\$ —	\$ —	\$ 18,020	\$ 18,102
Total assets	<u>\$ 18,020</u>	<u>\$ 18,102</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 18,020</u>	<u>\$ 18,102</u>

There were no transfers between Level 1 and 2 during the three months ended March 31, 2024 or the year ended December 31, 2023. The Company did not have any liabilities that were carried at fair value on a recurring basis at March 31, 2024 and December 31, 2023.

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 March 31, 2024 and December 31, 2023:

Description	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	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
(In Thousands)								
<b>Assets:</b>								
Loans individually evaluated	\$ —	\$ —	\$ —	\$ —	\$ 4,385	\$ 4,385	\$ 4,385	\$ 4,385
Real estate owned	—	—	—	—	1,456	1,456	1,456	1,456
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,841</u>	<u>\$ 5,841</u>	<u>\$ 5,841</u>	<u>\$ 5,841</u>

The following tables present the qualitative information about non-recurring Level 3 fair value measurements of financial instruments at March 31, 2024 and December 31, 2023:

At March 31, 2024					
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
(In Thousands)					
Assets:					
Loans individually evaluated	\$ 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, 2023					
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
(In Thousands)					
Assets:					
Loans individually evaluated	\$ 4,385	Income approach	Capitalization rate	6.00 %	6.00 %
Real estate owned	1,456	Income approach	Capitalization rate	12.00 %	12.00 %

The Company did not have any liabilities that were carried at fair value on a non-recurring basis at March 31, 2024 and December 31, 2023.

The methods and assumptions used to estimate fair value at March 31, 2024 and December 31, 2023 are as follows:

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

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

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

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

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

			Fair Value at March 31, 2024		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)	Carrying Amount	Fair Value			
<b>Financial Assets</b>					
Cash and cash equivalents	\$ 107,448	\$ 107,448	\$ 107,448	\$ —	\$ —
Certificates of deposit	100	100	—	100	—
Marketable equity securities	18,020	18,020	18,020	—	—
Securities held to maturity	15,735	12,937	—	12,937	—
Loans receivable, net	1,649,647	1,622,608	—	—	1,622,608
Investments in restricted stock	614	614	—	614	—
Accrued interest receivable	12,952	12,952	—	12,952	—
<b>Financial Liabilities</b>					
Deposits	1,512,002	1,509,855	—	1,509,855	—
Borrowings	47,000	46,006	—	46,006	—

			Fair Value at December 31, 2023		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)	Carrying Amount	Fair Value			
<b>Financial Assets</b>					
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	—
<b>Financial Liabilities</b>					
Deposits	1,400,036	1,401,083	—	1,401,083	—
Borrowings	64,000	63,053	—	63,053	—

## Note 12 — Revenue Recognition

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

A contract asset balance occurs when an entity performs a service for a customer before the customer pays consideration (resulting in a contract receivable) or before payment is due (resulting in a contract asset). A contract liability balance is an entity's obligation to transfer a service to a customer for which the entity has already received payment (or payment is due) from the customer. The Company's noninterest revenue streams are largely based on transactional activity, or standard month-end revenue accruals such as referral fees based month end reports. Consideration is often received immediately or shortly after the Company satisfies its performance obligation and revenue is recognized. The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of March 31, 2024, the Company did not have any significant contract balances.

All of the Company's revenue from contracts with customers within the scope of ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the three months ended March 31, 2024 and 2023. Sources of revenue outside the scope of ASC 606 are noted as such:

	Three Months Ended March 31,	
	2024	2023
	(In Thousands)	
Non-interest income:		
Deposit-related fees and charges	\$ 15	\$ 14
Loan-related fees and charges <sup>(1)</sup>	211	350
Electronic banking fees and charges	236	243
Income from bank owned life insurance <sup>(1)</sup>	157	150
Investment advisory fees	—	117
Unrealized (loss) gain on equity securities <sup>(1)</sup>	(82)	225
Miscellaneous <sup>(1)</sup>	17	16
Total non-interest income	<u>\$ 554</u>	<u>\$ 1,115</u>

(1) Not within the scope of ASC 606.

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

### Service Charges on Deposit Accounts

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



### Electronic Banking Fee Income

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

### Investment Advisory Fees

The Company earns fees from investment advisory and financial planning services under the name of Harbor West Wealth Management Group, 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.

As previously noted, in January 2024, the Bank sold all of the Bank's assets relating to Harbor West Wealth Management Group to a third party. As such, the Bank no longer generates investment advisory fees following the completion of the sale transaction.

### Note 13 — Other Non-Interest Expenses

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

	Three Months Ended March 31,	
	2024	2023
	(In Thousands)	
Other	\$ 1,103	\$ 766
Service contracts	424	319
Consulting expense	231	189
Telephone	170	157
Directors' compensation	246	224
Audit and accounting	135	111
Insurance	102	95
Director, officer, and employee expense	79	58
Legal fees	66	120
Office supplies and stationary	51	50
Recruiting expense	27	2
	<u>\$ 2,634</u>	<u>\$ 2,091</u>

### Note 14 — Stock Compensation Plans

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

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 March 31, 2024 and 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.

A summary of the Company's restricted stock activity and related information for the three months ended March 31 follows:

	2024	
	Shares	Weighted Average Market Price
Outstanding at December 31, 2023	352,037	\$ 13.67
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding at March 31, 2024	352,037	\$ 13.67
2023		
	2023	
	Shares	Weighted Average Market Price
Outstanding at December 31, 2022	352,037	\$ 13.67
Granted	—	—
Forfeited	—	—
Vested	—	—
Outstanding at March 31, 2023	352,037	\$ 13.67

Compensation expense related to restricted stock was \$252,000 and \$241,000 for the three months ended March 31, 2024 and 2023. At March 31, 2024 and December 31, 2023, the total compensation cost related to non-vested awards that has not yet been recognized was \$3.6 million and \$3.8 million, respectively, which is expected to be recognized over the next 4 years.

A summary of the Company's stock option activity and related information for the three months ended March 31 follows:

	2024	
	Options	Weighted Average Exercise Price
Outstanding at December 31, 2023	880,097	\$ 13.67
Granted	—	—
Forfeited	—	—
Exercised	1,000	14.08
Outstanding at March 31, 2024	879,097	\$ 13.67
Exercisable at March 31, 2024	175,019	13.67
	2023	
	Options	Weighted Average Exercise Price
Outstanding at December 31, 2022	880,097	\$ 13.67
Granted	—	—
Forfeited	—	—
Exercised	—	—
Outstanding at March 31, 2023	880,097	\$ 13.67
Exercisable at March 31, 2023	—	—

Compensation cost related to stock options is recognized based on the fair value of the stock options at the grant date on a straight line basis over the vesting period. Compensation expense related to stock options was \$192,000 and \$192,000 for the three months ended March 31, 2024 and 2023. At March 31, 2024 and December 31, 2023, unrecognized compensation cost related to stock option awards was \$2.8 million and \$3.0 million, respectively, which is expected to be recognized over the next 4 years.

#### Note 15 — Recent Accounting Pronouncements

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.

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.

In March 2024, the FASB issued ASU 2024-01, Compensation – Stock Compensation (Topic 718), amended the guidance in ASC 718 to add an example showing how to apply the scope guidance to determine whether profits interest and similar awards should be accounted for as share-based payment arrangements. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. For all other entities, it is effective for fiscal years beginning after December 15, 2025, and interim periods within those fiscal years. This Update is not expected to have a significant impact on the Company's financial statements.

In March 2024, the FASB issued ASU 2024-02, Codification Improvements—Amendments to Remove References to the Concepts Statements. This ASU removes various references to the FASB's Concepts Statements from the FASB's Accounting Standards Codification. The FASB does not expect these updates to have a significant effect on current accounting practice. That is because in most cases the amendments to the Codification remove references to Concept Statements that are extraneous and not required to understand or apply the guidance. However, the FASB has provided transition guidance if applying the updated guidance results in accounting changes for some entities. The amendments in ASU 2024-02 are effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. This Update is not expected to have a significant impact on the Company's financial statements.

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

### **Forward-Looking Statements**

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

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

## **Critical Accounting Policies**

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

## **Balance Sheet Analysis**

### **General**

Total assets increased by \$102.8 million, or 5.8%, to \$1.9 billion at March 31, 2024, from \$1.8 billion at December 31, 2023. The increase in assets was primarily due to an increase in net loans of \$67.8 million and an increase in cash and cash equivalents of \$38.8 million, partially offset by a decrease in other assets of \$3.7 million.

Cash and cash equivalents increased by \$38.8 million, or 56.5%, to \$107.4 million at March 31, 2024 from \$68.7 million at December 31, 2023. The increase in cash and cash equivalents was a result of an increase in deposits of \$112.0 million, partially offset by a decrease in borrowings of \$17.0 million, an increase of \$67.8 million in net loans, and stock repurchases of \$1.2 million.

Equity securities decreased by \$82,000, or 0.5%, to \$18.0 million at March 31, 2024 from \$18.1 million at December 31, 2023. The decrease in equity securities was attributable to market depreciation of \$82,000 due to market interest rate volatility during the three months ended March 31, 2024.

Securities held-to-maturity decreased by \$125,000, or 0.8%, to \$15.7 million at March 31, 2024 from \$15.9 million at December 31, 2023 due to \$128,000 in maturities and pay-downs of various investment securities, partially offset by a decrease of \$3,000 in the allowance for credit losses for held-to-maturity securities.

Loans, net of the allowance for credit losses, increased by \$67.8 million, or 4.3%, to \$1.6 billion at March 31, 2024 from \$1.6 billion at December 31, 2023. The increase in loans, net of the allowance for credit losses, was primarily due to loan originations of \$180.5 million during the three months ended March 31, 2024, consisting primarily of \$170.9 million in construction loans with respect to which approximately 34.0% 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 three months ended March 31, 2024, we originated \$9.5 million in commercial and industrial loans.

Loan originations during the first quarter of 2024 resulted in a net increase of \$74.5 million in construction loans and \$410,000 in consumer loans. The increase in our loan portfolio was partially offset by decreases of \$2.2 million in commercial and industrial loans, \$2.0 million in non-residential loans, \$1.1 million in mixed-use loans, \$981,000 in multi-family loans, and \$605,000 in residential loans, coupled with normal pay-downs and principal reductions.

The allowance for credit losses related to loans decreased to \$4.9 million as of March 31, 2024 from \$5.1 million as of December 31, 2023. The decrease in the allowance for credit losses related to loans was due to a credit to provision for credit losses totaling \$145,000 and charge-offs of \$21,000.

Premises and equipment decreased by \$229,000, or 0.9%, to \$25.2 million at March 31, 2024 from \$25.5 million at December 31, 2023 primarily due to the depreciation of fixed assets.

Investments in Federal Home Loan Bank stock decreased by \$315,000, or 33.9%, to \$614,000 at March 31, 2024 from \$929,000 at December 31, 2023 due primarily to the mandatory redemption of Federal Home Loan Bank stock in connection with the maturity of \$7.0 million in advances in the first quarter of 2024.

Bank owned life insurance ("BOLI") increased by \$157,000, or 0.6%, to \$25.2 million at March 31, 2024 from \$25.1 million at December 31, 2023 due to increases in the BOLI cash value.

Accrued interest receivable increased by \$641,000, or 5.2%, to \$13.0 million at March 31, 2024 from \$12.3 million at December 31, 2023 due to an increase in the loan portfolio.

Foreclosed real estate was \$1.5 million at both March 31, 2024 and December 31, 2023.

Right of use assets — operating decreased by \$139,000, or 3.0%, to \$4.4 million at March 31, 2024 from \$4.6 million at December 31, 2023, primarily due to amortization.

Other assets decreased by \$3.7 million, or 46.6%, to \$4.3 million at March 31, 2024 from \$8.0 million at December 31, 2023 due to a decrease in tax assets of \$3.6 million and a decrease in suspense accounts of \$236,000, partially offset by an increase of \$126,000 in prepaid expenses.

Total deposits increased by \$112.0 million, or 8.0%, to \$1.5 billion at March 31, 2024 from \$1.4 billion at December 31, 2023. 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 \$90.9 million, or 11.9% and NOW/money market accounts increased by \$60.1 million, or 41.5%, partially offset by decreases in savings account balances of \$27.4 million, or 14.3%, and non-interest bearing demand deposits of \$11.6 million, or 3.9%.

Federal Home Loan Bank advances decreased by \$7.0 million, or 50.0%, to \$7.0 million at March 31, 2024 from \$14.0 million at December 31, 2023 due to the maturity of borrowings in 2024. Federal Reserve Bank borrowings decreased by \$10.0 million, or 20.0%, to \$40.0 million at March 31, 2024 from \$50.0 million at December 31, 2023.

Advance payments by borrowers for taxes and insurance increased by \$326,000, or 16.1%, to \$2.3 million at March 31, 2024 from \$2.0 million at December 31, 2023 due primarily to remittance of real estate tax payments from our borrowers.

Lease liability – operating decreased by \$128,000, or 2.8%, to \$4.5 million at March 31, 2024 from \$4.6 million at December 31, 2023, primarily due to amortization.

Accounts payable and accrued expenses decreased by \$2.0 million, or 14.7%, to \$11.6 million at March 31, 2024 from \$13.6 million at December 31, 2023 due primarily to a decrease in accrued expense of \$2.5 million, partially offset by an increase in accounts payable of \$486,000 and deferred compensation of \$132,000. The allowance for credit losses for off-balance sheet commitments was \$1.0 million at March 31, 2024 and at December 31, 2023.

Stockholders' equity increased by \$9.6 million, or 3.4% to \$288.9 million at March 31, 2024, from \$279.3 million at December 31, 2023. The increase in stockholders' equity was due to net income of \$11.4 million for the three months ended March 31, 2024, \$444,000 in the amortization of restricted stock and stock options granted under the Company's 2022 Equity Incentive Plan, a reduction of \$217,000 in unearned employee stock ownership plan shares coupled with an increase of \$135,000 in earned employee stock ownership plan shares, an exercise of stock options totaling \$14,000, and \$3,000 in other comprehensive income, partially offset by stock repurchases totaling \$1.2 million and dividends paid and declared of \$1.3 million.

## **Results of Operations for the Three Months Ended March 31, 2024 and 2023**

### ***Financial Highlights***

Net income for the three months ended March 31, 2024 was \$11.4 million compared to net income of \$11.2 million for the three months ended March 31, 2023. The increase in net income of \$130,000, or 1.2%, between periods was primarily due to an increase in net interest income and a credit loss expense reduction, partially offset by a decrease in non-interest income, an increase in non-interest expense, and an increase in income tax expense.

### ***Net Interest Income***

Net interest income totaled \$25.0 million for the three months ended March 31, 2024, as compared to \$22.8 million for the three months ended March 31, 2023. The increase in net interest income of \$2.2 million, or 9.4%, was primarily due to an increase in interest income offset by an increase in interest expense.

The increase in interest income is attributable to increases in the average balances of loans and interest-bearing deposits, partially offset by decreases in the average balances of investment securities and FHLB stock. The increase in interest income is also attributable to a rising interest rate environment due to the Federal Reserve's interest rate increases in 2023 that resulted in an increase in the yield on our interest-earning assets.

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 three months ended March 31, 2024 was due to an increase in the cost of funds on our deposits and borrowed money. The increase in interest expense was also due to an increase in the average balances on our certificates of deposits, our interest-bearing demand deposits, and our borrowed money, offset by a decrease in the average balances on our savings and club deposits.

Total interest and dividend income increased by \$9.6 million, or 33.7%, to \$38.1 million for the three months ended March 31, 2024 from \$28.5 million for the three months ended March 31, 2023. The increase in interest and dividend income was due to an increase in the average balance of interest earning assets of \$361.6 million, or 26.3%, to \$1.7 billion for the three months ended March 31, 2024 from \$1.4 billion for the three months ended March 31, 2023 and an increase in the yield on interest earning assets by 49 basis points from 8.28% for the three months ended March 31, 2023 to 8.77% for the three months ended March 31, 2024.

Interest expense increased by \$7.4 million, or 131.5%, to \$13.1 million for the three months ended March 31, 2024 from \$5.7 million for the three months ended March 31, 2023. The increase in interest expense was due to an increase in the cost of interest bearing liabilities by 155 basis points from 2.74% for the three months ended March 31, 2023 to 4.29% for the three months ended March 31, 2024 and an increase in average interest bearing liabilities of \$398.9 million, or 48.2%, to \$1.2 billion for the three months ended March 31, 2024 from \$827.0 million for the three months ended March 31, 2023.

Net interest margin decreased by 88 basis points, or 13.3%, during the three months ended March 31, 2024 to 5.75% compared to 6.63% during the three months ended March 31, 2023. The decrease in the net interest margin was due to the increase in the cost of interest-bearing liabilities outpacing the increase in the yield on interest-earning assets.

#### **Credit Loss Expense.**

The Company recorded a credit loss expense reduction totaling \$165,000 for the three months ended March 31, 2024 compared to credit loss expenses totaling \$1,000 for the three months ended March 31, 2023. The credit loss expense reduction of \$165,000 for the three months ended March 31, 2024 was comprised of a credit loss expense reduction for loans of \$145,000, a credit loss expense reduction for held-to-maturity investment securities of \$3,000, and a credit loss expense reduction for off-balance sheet commitments of \$17,000. The credit loss expense reduction for loans of \$145,000 for the three months ended March 31, 2024 was primarily attributed to favorable trend in the economy.

We charged-off \$21,000 during the three months ended March 31, 2024 as compared to charge-offs of \$21,000 during the three months ended March 31, 2023. The charge-offs of \$21,000 during the three months ended March 31, 2024 and March 31, 2023 were against various unpaid overdrafts in our demand deposit accounts.

We recorded no recoveries from previously charged-off loans during the three months ended March 31, 2024 and 2023.

Based on a review at March 31, 2024 of the loans that were in the loan portfolio, our off-balance sheet credit exposures, and our HTM investment securities, management believes that the allowances for these three components are maintained at a level that represents our best estimate of inherent losses in the loan portfolio, off-balance sheet credit exposures, and HTM investment securities that were both probable and reasonably estimable.

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

may require us to recognize adjustments to the three ACLs based on their judgments about information available to them at the time of their examination.

***Non-Interest Income***

Non-interest income for the three months ended March 31, 2024 was \$554,000 compared to non-interest income of \$1.1 million for the three months ended March 31, 2023. The decrease of \$561,000, or 50.3%, in total non-interest income was primarily due to an increase of \$307,000 in unrealized loss on equity securities, a decrease of \$145,000 in other loan fees and service charges, and a decrease of \$117,000 in investment advisory fees.

The increase in unrealized gain/loss on equity was due to an unrealized loss of \$82,000 on equity securities during the three months ended March 31, 2024 compared to an unrealized gain of \$225,000 on equity securities during the three months ended March 31, 2023. The unrealized loss of \$82,000 on equity securities during the three months ended March 31, 2024 was due to market interest rate volatility during the quarter ended March 31, 2024.

The decrease of \$145,000 in other loan fees and service charges was due to a decrease of \$138,000 in other loan fees and loan servicing fees and a decrease of \$7,000 in ATM/debit card/ACH fees.

The decrease in investment advisory fees was due to the disposition in January 2024 of the Bank's assets relating to the Harbor West Wealth Management Group. Consequently, the Bank no longer generates investment advisory fees following the completion of the transaction.

***Non-Interest Expense***

Non-interest expense increased by \$1.5 million, or 18.2%, to \$9.7 million for the three months ended March 31, 2024 from \$8.2 million for the three months ended March 31, 2023. The increase resulted primarily from increases of \$809,000 in salaries and employee benefits, \$543,000 in other operating expense, \$122,000 in outside data processing expense, \$39,000 in advertising expense, and \$38,000 in occupancy expense, partially offset by decreases of \$51,000 in equipment expense and \$10,000 in real estate owned expense.

Salaries and employee benefits increased by \$809,000, or 17.8%, to \$5.4 million for the three months ended March 31, 2024 from \$4.5 million for the three months ended March 31, 2023 primarily due to the hiring of additional personnel to support the growth of the Company 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 \$543,000, or 26.0%, to \$2.6 million for the three months ended March 31, 2024 from \$2.1 million for the three months ended March 31, 2023 due mainly to increases of \$338,000 in miscellaneous other non-interest expense, \$105,000 in service contracts expense, \$42,000 in consulting fees, \$25,000 in expenses related to the hiring of personnel, \$24,000 in audit and accounting fees, \$22,000 in directors compensation, \$21,000 in directors, officers, and employee expenses, \$13,000 in telephone expense, \$7,000 in insurance expense, and \$1,000 in office supplies. These increases were partially offset by a decrease of \$54,000 in legal fees.

The increase of \$338,000 in miscellaneous other non-interest expense was mainly due to increases of \$339,000 in regulatory insurance premiums and assessments due to an increase in our total assets, \$22,000 in dues and subscriptions, and \$7,000 in check and correspondence bank charges. These increases were partially offset by decreases of \$24,000 in miscellaneous charge-offs, \$3,000 in postage expense, and \$2,000 in miscellaneous expenses.

Service contracts expense increased by \$105,000, or 32.9%, to \$424,000 for the three months ended March 31, 2024 from \$319,000 for the three months ended March 31, 2023 due to the increased cost to support the growth of the Company. Consultant fees increased by \$42,000, or 22.3%, to \$231,000 for the three months ended March 31, 2024 from \$189,000 for the three months ended March 31, 2023 due to the upgrading of the Company's telephone system.

Recruiting expense increased by \$25,000, or 1,250.0%, to \$27,000 for the three months ended March 31, 2024 from \$2,000 for the three months ended March 31, 2023 due to the use of a traditional recruiting firm in 2024 compared to less reliance on traditional recruiting firms in 2023 for personnel hirings. Audit and accounting expense increased by



\$24,000, or 21.7%, to \$135,000 for the three months ended March 31, 2024 from \$111,000 for the three months ended March 31, 2023 due to the Company's growth.

Directors' compensation increased by \$22,000, or 9.8%, to \$246,000 for the three months ended March 31, 2024 from \$224,000 for the three months ended March 31, 2023 due to an increase in fees and an increase to the amortization of expenses due to the awarding of additional restricted stocks related to the 2022 Equity Incentive Plan. Directors, officers, and employee expenses increased by \$21,000, or 36.2%, to \$79,000 for the three months ended March 31, 2024 from \$58,000 for the three months ended March 31, 2023 due to tuition payments for employees.

Telephone expense increased by \$13,000, or 8.5%, to \$170,000 for the three months ended March 31, 2024 from \$157,000 for the three months ended March 31, 2023 due to increased usage to service customers. Insurance expense increased by \$7,000, or 7.8%, to \$102,000 for the three months ended March 31, 2024 from \$95,000 for the three months ended March 31, 2023 due to a general increase in insurance premiums. Legal fees decreased by \$54,000, or 45.0%, to \$66,000 for the three months ended March 31, 2024 from \$120,000 for the three months ended March 31, 2023 due to a reduction in transactions requiring legal services.

Outside data processing expense increased by \$122,000, or 23.7%, to \$637,000 for the three months ended March 31, 2024 from \$515,000 for the three months ended March 31, 2023 due to an increase in transactions and additional data processing services.

Advertising expense increased by \$39,000, or 79.6%, to \$88,000 for the three months ended March 31, 2024 from \$49,000 for the three months ended March 31, 2023 due mainly to advertising to promote interest rates offered on our deposit products. Occupancy expense increased by \$38,000, or 5.7%, to \$707,000 for the three months ended March 31, 2024 from \$669,000 for the three months ended March 31, 2023 primarily as a result of the increased cost of operating office space.

Equipment expense decreased by \$51,000, or 16.8%, to \$253,000 for the three months ended March 31, 2024 from \$304,000 for the three months ended March 31, 2023 due to a reduced need to purchase additional equipment. Real estate owned expense decreased by \$10,000, or 47.6%, to \$11,000 for the three months ended March 31, 2024 from \$21,000 for the three months ended March 31, 2023 due to efforts to contain cost.

**Income Taxes.** We recorded income tax expense of \$4.7 million and \$4.5 million for the three months ended March 31, 2024 and 2023, respectively. For the three months ended March 31, 2024, we had approximately \$195,000 in tax exempt income, compared to approximately \$182,000 in tax exempt income for the three months ended March 31, 2023. Our effective income tax rates were 29.0% and 28.7% for the three months ended March 31, 2024 and 2023, respectively.

#### **Average Balances and Yields**

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

	Three Months Ended March 31,					
	2024			2023		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Loans receivable	\$ 1,612,343	\$ 36,703	9.11 %	\$ 1,269,850	\$ 27,575	8.69 %
Securities	33,848	197	2.33	44,523	211	1.90
Federal Home Loan Bank stock	842	21	9.98	1,150	22	7.65
Other interest-earning assets	91,552	1,200	5.24	61,484	703	4.57
Total interest-earning assets	1,738,585	38,121	8.77	1,377,007	28,511	8.28
Allowance for credit losses	(5,091)			(5,459)		
Non-interest-earning assets	88,859			80,900		
Total assets	<u>\$ 1,822,353</u>			<u>\$ 1,452,448</u>		
Interest bearing demand	\$ 171,483	\$ 1,817	4.24 %	\$ 90,199	\$ 428	1.90 %
Savings and club accounts	182,771	1,202	2.63	286,510	1,913	2.67
Certificates of deposit	810,586	9,375	4.63	431,259	3,211	2.98
Interest-bearing deposits	1,164,840	12,394	4.26	807,968	5,552	2.75
Borrowed money	\$ 61,092	741	4.85	19,056	121	2.54
Interest-bearing liabilities	1,225,932	13,135	4.29	827,024	5,673	2.74
Non-interest-bearing demand	291,909			345,298		
Other non-interest-bearing liabilities	18,090			15,181		
Total liabilities	1,535,931			1,187,503		
Equity	286,422			264,945		
Total liabilities and equity	<u>\$ 1,822,353</u>			<u>\$ 1,452,448</u>		
Net interest income/interest spread		<u>\$ 24,986</u>	4.48 %		<u>\$ 22,838</u>	5.54 %
Net interest margin			5.75 %			6.63 %
Net interest-earning assets	<u>\$ 512,653</u>			<u>\$ 549,983</u>		
Average interest-earning assets to interest-bearing liabilities	<u>141.82 %</u>			<u>166.50 %</u>		

#### Rate/Volume Analysis

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

	Three Months Ended 3/31/2024 Compared to Three Months Ended 3/31/2023		
	Increase (Decrease)		
	Due to		
	Volume	Rate	Total
(Dollars in thousands)			
<b>Interest income:</b>			
Loans receivable	\$ 7,742	\$ 1,386	\$ 9,128
Securities	(204)	190	(14)
Federal Home Loan Bank stock	(26)	25	(1)
Other interest-earning assets	383	114	497
Total	\$ 7,895	\$ 1,715	\$ 9,610
<b>Interest expense:</b>			
Interest bearing demand deposit	\$ 587	\$ 802	\$ 1,389
Savings accounts	(683)	(28)	(711)
Certificates of deposits	3,784	2,380	6,164
Borrowed money	439	181	620
Total	4,127	3,335	7,462
Net change in net interest income	<u>\$ 3,768</u>	<u>\$ (1,620)</u>	<u>\$ 2,148</u>

## Asset Quality

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

	March 31, 2024	December 31, 2023
	(Dollars in thousands)	
Total non-accrual loans	\$ 4,385	\$ 4,385
Total accruing loans past due 90 days or more	—	—
Total non-performing loans	4,385	4,385
Real estate owned	1,456	1,456
Total non-performing assets	<u>\$ 5,841</u>	<u>\$ 5,841</u>
Total non-performing loans to total loans	0.27 %	0.28 %
Total non-performing assets to total assets	0.31 %	0.33 %

Non-performing assets totaled \$5.8 million at March 31, 2024 and December 31, 2023. At March 31, 2024 and 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. The other non-performing assets consisted of one foreclosed property at March 31, 2024 and December 31, 2023.

During the three months ended March 31, 2024, we did not collect any interest income from the loans that were in non-accrual status. We did not collect any interest income from loans that were in non-accrual status in 2023.

From time to time, as part of our loss mitigation strategy, we may modify 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 three months ended March 31, 2024 or 2023.

At March 31, 2024 and December 31, 2023, we had no loans modified to borrowers experiencing financial difficulty.

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

	March 31, 2024	December 31, 2023
	(Dollars In Thousands)	
Allowance at beginning of period	\$ 5,093	\$ 5,474
Impact of adopting ASC 326	—	(1,584)
Provision for credit losses	(145)	1,516
Net Charge-offs:		
Residential real estate loans:		
One- to four-family	—	—
Multifamily	—	—
Mixed-use	—	—
Total residential real estate loans	—	—
Non-residential real estate loans	—	—
Construction loans	—	159
Commercial and industrial loans	—	—
Consumer loans	21	154
Total net charge-offs	21	313
Allowance at end of period	\$ 4,927	\$ 5,093
Total loans outstanding	\$ 1,654,626	\$ 1,586,721
Average loans outstanding	1,612,343	1,401,492
Ratio of allowance to non-performing loans	— %	— %
Ratio of allowance to total loans	0.30 %	0.32 %
Ratio of net charge-offs to average loans	0.00 %	0.02 %
Non-performing loans	\$ 4,385	\$ 4,385

The Company's allowance for credit losses related to loans totaled \$4.9 million, or 0.30% of total loans as of March 31, 2024 compared to \$5.1 million, or 0.32% of total loans as of December 31, 2023. In addition, the Company's allowance for credit losses related to off-balance sheet commitments totaled \$1.0 million and an allowance for credit losses related to held-to-maturity debt securities totaled \$133,000 as of March 31, 2024 compared to \$1.0 million and \$136,000, respectively, at December 31, 2023.

The allowance for credit losses related to loans decreased by \$166,000 to \$4.9 million at March 31, 2024 from \$5.1 million at December 31, 2023. The decrease in the allowances for credit losses was due primarily to a credit loss expense reduction for loans of \$145,000 and charge-offs of \$21,000 against various unpaid overdrafts in our demand deposit accounts.

The allowance for credit losses related to off-balance sheet commitments decreased by \$17,000 to \$1.0 million at March 31, 2024 from \$1.0 million at December 31, 2023 due to a credit loss expense reduction of \$17,000 at March 31, 2024.

The allowance for credit losses related to held-to-maturity of debt securities decreased by \$3,000 due to a credit loss expense reduction of \$3,000 at March 31, 2024.

### Liquidity and Capital Resources

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

Our Cash Liquidity ratio, On Balance Sheet Liquidity ratio, and On Balance Sheet Liquidity & Borrowing Capacity ratio averaged 7.2%, 9.4%, and 71.7%, respectively, for the three months ended March 31, 2024 compared to 6.7%, 9.6%, and 32.7%, respectively, for the year ended December 31, 2023. We adjust our liquidity levels to fund deposit outflows, pay real estate taxes on real estate loans, repay our borrowings, and to fund loan commitments. We also adjust liquidity as appropriate to meet asset and liability management objectives.

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

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

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

Our primary investing activities are the origination of construction loans, commercial and industrial loans, multifamily loans, and to a lesser extent, mixed-use real estate loans and other loans. For the three months ended March 31, 2024 and 2023, our loan originations totaled \$180.5 million and \$214.7 million, respectively. Cash received from the maturities and pay-downs on securities totaled \$128,000 and \$142,000 for the three months ended March 31, 2024 and 2023, respectively. We did not purchase any securities during the three months ended March 31, 2024 and March 31, 2023.

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 \$32.1 million and \$29.7 million from the Federal Home Loan Bank of New York as of March 31, 2024 and December 31, 2023, respectively. There were \$7.0 million and \$14.0 million in Federal Home Loan Bank advances at March 31, 2024 and December 31, 2023, 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. We had an available borrowing limit of \$928.8 million and \$865.1 million from the FRBNY as of March 31, 2024 and December 31, 2023, respectively. There were \$40.0 million and \$50.0 million in FRBNY borrowings at March 31, 2024 and December 31, 2023, respectively.

In addition, we are party to a loan agreement with ACBB under which we can borrow up to \$8.0 million in short-term borrowings. There were no outstanding borrowings with ACBB at March 31, 2024 and December 31, 2023.

At March 31, 2024, we had unfunded commitments on construction and multi-family mortgage loans of \$477.0 million, outstanding commitments to originate loans of \$136.9 million, unfunded commitments under lines of credit of

\$107.1 million, and unfunded standby letters of credit of \$10.3 million. At March 31, 2024, certificates of deposit scheduled to mature in less than one year totaled \$692.9 million. Based on prior experience, management believes that a significant portion of such deposits will remain with us, although there can be no assurance that this will be the case. In the event a significant portion of our deposits are not retained by us, we will have to utilize other funding sources, such as various types of sourced deposits, Federal Home Loan Bank advances, or Federal Reserve Bank borrowings, in order to maintain our level of assets. Alternatively, we could reduce our level of liquid assets, such as our cash and cash equivalents. In addition, the cost of such deposits may be significantly higher or lower depending on market interest rates at the time of renewal.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company is responsible for paying any dividends declared to its stockholders and for the repurchase, if any, of its shares of common stock. At March 31, 2024, the Company had liquid assets of \$2.4 million and \$14.1 million in loan participations originated by the Bank which are held by the Company.

#### **Off-Balance Sheet Arrangements**

For the three months ended March 31, 2024, we did not engage in any off-balance sheet transactions reasonably likely to have a material adverse effect on our financial condition, results of operations or cash-flows.

#### **Impact of Inflation and Changing Prices**

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

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

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

Our objective is to manage our interest rate risk by determining whether a given movement in interest rates affects our net interest income and the market value of our portfolio equity in a positive or negative way and to execute strategies to maintain interest rate risk within established limits. The results at March 31, 2024 indicate the level of risk within the parameters of our model. Our management believes that the March 31, 2024 results indicate a profile that reflects interest rate risk exposures in both rising and declining rate environments for both net interest income and economic value.

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

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

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

If the results produce quantifiable interest rate risk exposure beyond our limits, then the testing will have served as a monitoring mechanism to allow us to initiate asset/liability strategies designed to reduce and therefore mitigate interest rate risk. The table below sets forth an approximation of our interest rate risk exposure. The simulation uses projected repricing of assets and liabilities at March 31, 2024. 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 March 31, 2024, NorthEast Community Bank's net portfolio value, the estimated changes in our net portfolio value and net interest income that would result from the designated instantaneous parallel changes in market interest rates.

Change in Interest Rates (Basis Points)	Twelve Month Net Interest Income	Net Portfolio Value	
	Percent of Change	Estimated NPV	Percent of Change
+200	14.01 %	\$ 312,235	2.56 %
+100	7.06	309,522	1.67
0	—	304,443	—
-100	(8.68)	296,396	(2.64)
-200	(17.68)%	286,569	(5.87)%

As of March 31, 2024, based on the scenarios above, net interest income would increase by approximately 7.06% to 14.01%, over a one-year time horizon in a rising interest rate environment. One-year net interest income would decrease by approximately 8.68% to 17.68% 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 March 31, 2024 results indicate that we are adequately positioned with an acceptable net interest income and economic value at risk and that all interest rate risk results continue to be within our policy guidelines.

#### **Item 4. Controls and Procedures**

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

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **PART II — OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

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

#### **Item 1A. Risk Factors**

For information regarding the Company's risk factors, refer to "*Item 1A: Risk Factors*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on March 28, 2024. As of March 31, 2024, the risk factors of the Company have not changed materially from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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

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

The following table provides information on repurchases by the Company of its common stock under the Company's stock repurchase program during the three months ended March 31, 2024:



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
January 1 - 31, 2024	-	\$ -	-	573,298
February 1 - 29, 2024	18,300	15.77	18,300	554,998
March 1 - 31, 2024	61,760	15.35	61,760	493,238
Total	<u>80,060</u>		<u>80,060</u>	

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

During the fiscal quarter ended March 31, 2024, 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.

**Item 6. Exhibits**

See Exhibit Index.

## EXHIBIT INDEX

Exhibit No.	Description
31.1†	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of NorthEast Community Bancorp, Inc.</a>
31.2†	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of NorthEast Community Bancorp, Inc.</a>
32.0†	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer of NorthEast Community Bancorp, Inc. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.0†	The following materials from the Company's Quarterly Report to Stockholders on Form 10-Q for the quarter ended March 31, 2024, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholder's Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.
101.INS†	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document
104†	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

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† Filed herewith.

**SIGNATURES**

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

Date: May 9, 2024

**NORTHEAST COMMUNITY BANCORP, INC.**

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

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

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Kenneth A. Martinek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NorthEast Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

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

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## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Donald S. Hom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NorthEast Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

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

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

In connection with the Quarterly Report of NorthEast Community Bancorp, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 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: May 9, 2024 \_\_\_\_\_

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