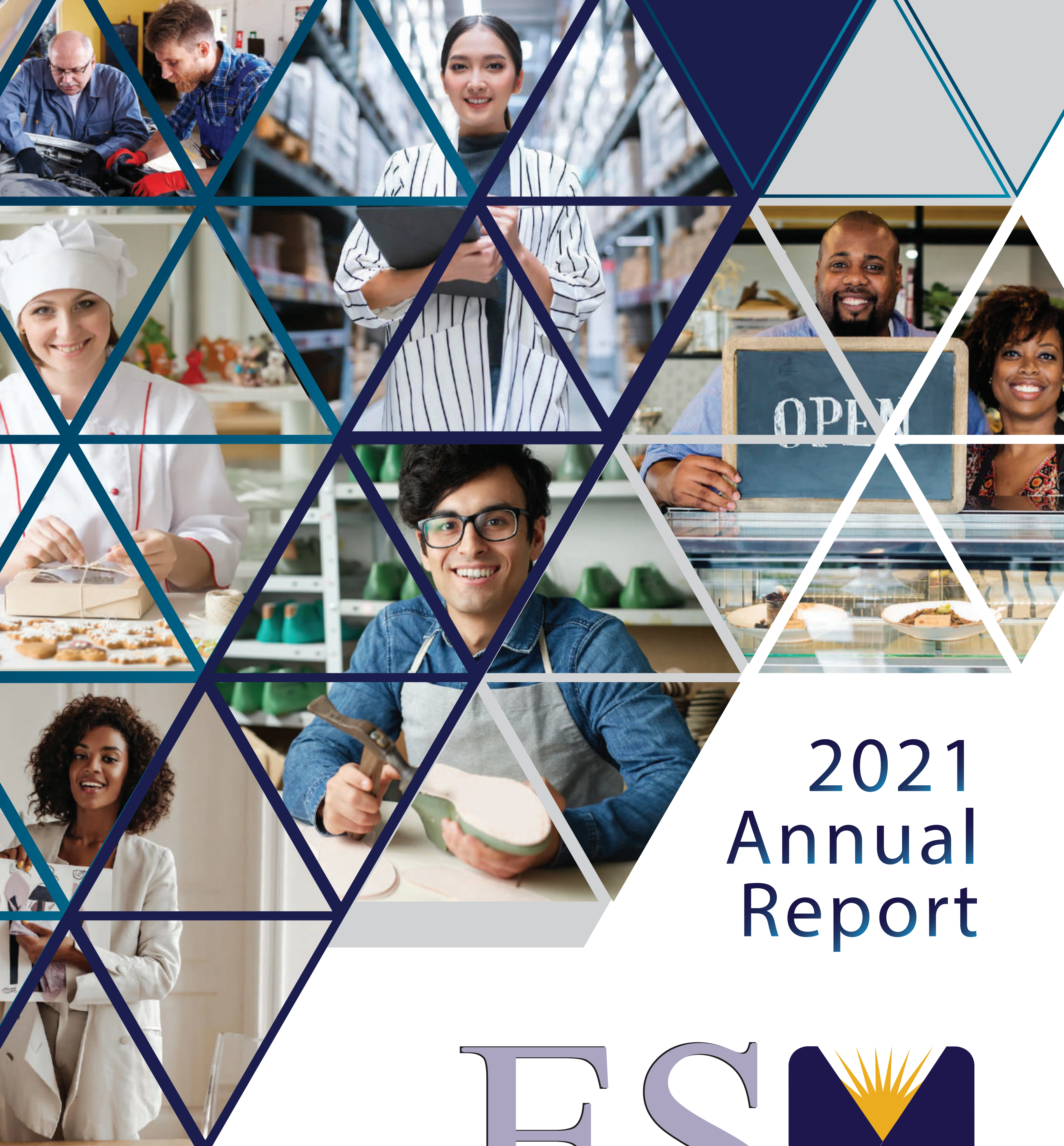


2021 Annual Report

ESB BANCSHARES, INC.

Welcome

About Empire State Bank

Empire State Bank was founded by industry pioneers with a vision to bring innovation to community banking. Established in 2004, Empire State Bank is located in New York and has a niche market position in the communities we serve. We provide a full range of commercial and retail banking products and services.

Dedicated to Service

Empire State Bank is committed to providing personalized service to its clients by building relationships. We continue to build and expand with a focus on long-term growth and providing personalized products and service. Our vision is to assist our customers in achieving their financial goals. We strive to be their most valuable and trusted source for banking solutions. It is our mission at Empire State Bank to be responsive to the financial needs of our customers and the communities we serve.

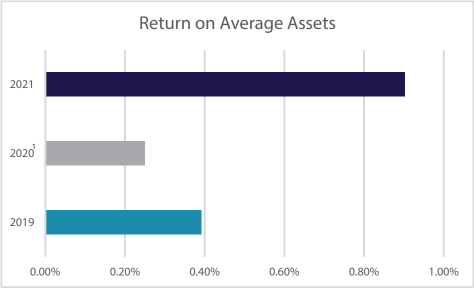
A Personal Approach To Helping Communities Thrive

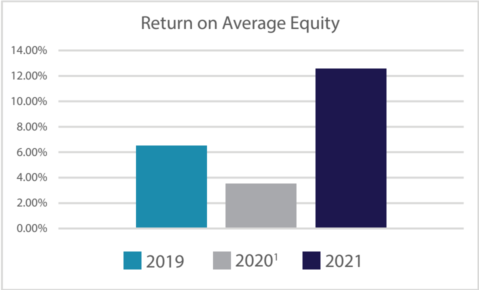
2021 was a year of continued strategic execution, ongoing investment and growth. Against a backdrop of the global pandemic, we focused on providing support to our customers, clients, team and greater communities as they continued to deal with its ongoing challenges.

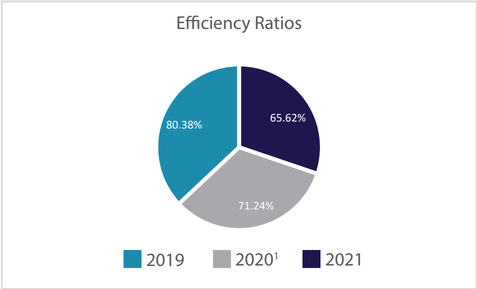
Our customer-centric approach continued to deliver strong results throughout the crisis by providing individualized service to our clients and delivering the products and technology to help them succeed. We have deepened relationships with our existing customers, both consumers and businesses, as well as expanded our reach in our markets.

Businesses, individuals and communities have trusted Empire State Bank to understand their financial goals and to help them succeed. As we look forward, we believe that everyone, from our clients and employees to our neighbors in the communities we serve, deserves the opportunity to grow and thrive. We will continue to carry out our mission and provide quality products, exceptional personal service and innovative technology to our customers.

We delivered outstanding business and financial results throughout the year despite the ongoing pandemic. These results reflect commitment to our strategy and strength of our corporate vision. We achieved strong results in challenging circumstances on top of equally strong results leading up to the pandemic. The following pages detail how, over the past year, Empire State Bank has once again fulfilled our commitment to helping our communities thrive and adding shareholder value.







[1]2020 includes additional $2.2 million provision for loan loss to proactively build reserves in the event of any credit impact from the COVID-19 pandemic.

March 31, 2022

Dear Shareholder,

We are pleased to present the 2021 Annual Report to Shareholders of ES Bancshares, Inc. We used the year to continue executing on our corporate strategy of sustained growth in earnings and value and are pleased to report that the Company experienced the best year in its history with net interest income of $17.9 million compared to $14.4 million the prior year, and net income of $4.6 million compared to $1.2 million the prior year. Further, the Company continued its commitment to community by being an active Paycheck Protection Program (PPP) lender originating over $55 million in 2021 in addition to the $62 million originated in 2020. As are result of granting these loans over the past two years, we are happy with the success in growing our core checking deposits and adding nearly 500 new depositor relationships during this time.

Focused on our shared goal of prudent balance sheet and earnings growth, and ultimately shareholder value, we were able to seize upon a number of opportunities in the marketplace. First is the continued utilization of PPP loans to attract and retain small businesses as core customers. Second, we were able to take advantage of local bank consolidation in the marketplace in the form of mergers and branch closures by establishing ourselves as THE local community commercial bank experience for newly displaced commercial customers. We look to continue this endeavor in the coming year. This translated to marked growth demonstrated in earnings and core customers. In fact, during 2021 the Company grew non-interest-bearing demand deposits by $39.8 million to $149.4 million. This represents an increase of 36.3% from 2020 and the second year of record growth. New customers that joined us from the PPP program as well as the consolidation of local competing institutions contributed to this success.

In addition, we have recently executed on our strategic plan to streamline resource utilization and market focus. Recently we announced the sale of our Newburgh, NY location and are officially designating Staten Island as our Main Office and Corporate Headquarters. We have further demonstrated our commitment to the metro New York market by opening our third full service Banking Center in Staten Island in Corporate Commons on South Avenue and have taken additional corporate office space in the same "state of the art" integrated facility. This will provide additional outlets for us to deliver our core banking services and further build our portfolio of small business customers.

The Company continued to maintain very strong reserves for loan losses as a continued preventive measure due to the uncertainty of the impact of the COVID-19 pandemic. Although the portfolio held up very well, Management adopted a very conservative approach and strengthened reserves by $2.8 million during 2020 and an additional $670 thousand in 2021. Total reserves now stand at $5.9 million on December 31, 2021, representing 1.37% and 1.46% of total loans and total loans excluding PPP loans, respectively.

We are pleased that the Company has not experienced losses with respect to any loans that elected to go on a deferral period at any point during the pandemic and that these loans have since gone back to repayment. In fact, the percent of non-performing loans has remained steady at less than 0.50% of total loans during the last two years signifying that the loan portfolio has performed well during these times

The Company's tangible book value per share increased 13.5% to $5.82 on December 31, 2021. In addition, the net interest margin increased 18.4% to 3.60% for the year ended December 31, 2021, from 3.04% the prior year.

We look forward to an exciting 2022 and beyond and want to take this opportunity to thank you, our shareholders, for all of your support as we further position the Company for strong earnings and increased shareholder value going forward.

We wish you all a safe and healthy 2022.

Sincerely,

Andrew Finkelstein	Philip Guarnieri	Thomas Sperzel
Chairman	Chief Executive Officer	President & Chief Operating Officer

Clients Turn To Us For Help With Driving Business Success

3
DAYS

Average time to fund PPP loans.

Provided funding to over 1,200 locally owned small businesses in our community.

COVID-19 continues to have a profound impact on local businesses. We have provided ongoing support for those that have been affected by the pandemic, ensured continued access to banking services and prioritized health and safety. Against this challenging backdrop customers and clients continue to value personal support for business banking needs.

A key differentiator and advantage of Empire State Bank is our size and flexibility which allows us to quickly adapt to unforeseen circumstances. From day one we participated in the Small Business Administration (SBA) Paycheck Protection Program (PPP) COVID-19-related assistance program to provide local business customers and clients with solutions so they could tackle the immediate, uncertain and evolving concerns about their financial security.

As a community bank we strive to deliver a superior banking experience by providing personalized customer service, financial products and technology. We support thousands of small-to-medium sized businesses around our Banking Center locations, Business Loan Production Offices and adjacent areas every day. Our team of Business Relationship Managers focus on understanding the complex needs of businesses and provide expert advice that enables clients to start, grow or expand a business. We do this through our portfolio of business lending products that are tailored to meet each business' specific financial needs including Commercial Real Estate Financing, 2/3/4 Family Investor Financing, C&I Business Loans, SBA 7(a) and SBA 504 Loans.

As the owner of Aversa Brothers Industrial Contracting, a family owned and operated company for over 50 years, I know very well how important business relationships are. Empire State Bank is an example of true relationship banking. We have had such a great experience since moving our business accounts to Empire State Bank in 2021 that my wife has since decided to move our personal accounts there as well. The business and personal transitions were amazingly simple, thanks to Phil, Jeanne, Lisa and the rest of the staff. The service at each branch and the online technology is beyond compare. Our only regret is that we didn't make the move sooner.

- Frank

As managing partner of Arden Services, I manage many moving parts of the day to day operation. Since moving our business account to Empire State Bank, I am now able to focus more on marketing and booking Industrial, Commercial and Residential inspections. There is a tremendous feeling of comfort, knowing that the staff at Empire State Bank is always there with outstanding service. The online banking program is user friendly and second to none.

- Karen

Exceptionally competent, knowledgeable and expeditious professionalism, with an exemplary sense of responsibility and commitment. I would wholeheartedly recommend Empire State Bank to all my friends and family, without reservation. My sincere thanks.

- Romeo

Jeanne and Kathie have made the opening of my new business a very smooth one. Their professionalism and kindness is what keeps me coming back to Empire State Bank. With Jeanne, her customer service is superb. Kathie's professionalism from start to finish explaining, and setting up my online banking, showing me the app, etc. is outstanding. I am looking forward to many more years of banking with Empire State Bank both professionally and personally.

- Christine

Board of Directors

Andrew G. Finkelstein
Chairman

Philip Guarnieri
Chief Executive Officer

Walter Daszkowski
Vice Chairman

Thomas Sperzel
President and Chief Operating Officer

Penda Aiken

Michael O Brien

Gale L. Foster

Michael P. Ostrow

Michael Menicucci

Thomas D. Weddell

Kelly Zhong

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ES Bancshares, Inc.
Newburgh, New York

Opinion

We have audited the consolidated financial statements of ES Bancshares, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ES Bancshares, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ES Bancshares, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ES Bancshares, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

New York, New York
April 14, 2022

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ES BANCSHARES, INC
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars In thousands)

	December 31, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 59,078	$ 62,533
Securities available for sale, at fair value	3,932	6,464
Securities held to maturity, at amortized cost (fair value of $7,254 and $0 at December 31, 2021 and December 31, 2020, respectively)	7,260	-
Total securities	11,192	6,464
Loans receivable	425,752	432,812
Deferred cost	2,353	1,605
Allowance for loan losses	(5,869)	(5,453)
Total loans receivable, net	422,236	428,964
Accrued interest receivable	1,827	2,423
Federal Reserve Bank stock	1,314	1,194
Federal Home Loan Bank stock	1,138	1,803
Goodwill	581	581
Premises and equipment, net	6,427	4,432
Right of use lease asset	5,563	6,188
Repossessed assets	-	147
Bank Owned Life Insurance	5,068	-
Other assets	1,267	1,045
Total assets	$ 515,691	$ 515,774
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 149,392	$ 109,634
Interest bearing	284,293	265,385
Total deposits	433,685	375,019
Borrowed funds	29,169	90,659
Accrued interest payable	184	353
Net deferred tax liability	646	274
Lease liability	5,759	6,298
Other liabilities	7,001	8,466
Total liabilities	476,444	481,069
Stockholders' equity:		
Capital stock (par value $0.01; 10,000,000 shares authorized; 6,648,320 at December 31, 2021 and 6,648,320 shares December 31, 2020)	66	66
Additional paid-in-capital	35,863	35,831
Retained income (Accumulated deficit)	3,201	(1,425)
Accumulated other comprehensive income	117	233
Total stockholders' equity	39,247	34,705
Total liabilities and stockholders' equity	$ 515,691	$ 515,774

See accompanying notes to financial statements

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	For the Twelve Months Ended December 31, 2021	2020
Interest and dividend income:		
Loans	$ 20,148	$ 18,184
Securities	151	240
Fed Funds and other earning assets	262	364
Total interest and dividend income	20,561	18,788
Interest expense:		
Deposits	1,342	3,097
Borrowed funds	1,338	1,333
Total interest expense	2,680	4,430
Net interest income	17,881	14,358
Provision for loan losses	670	2,781
Net interest income after provision for loan losses	17,211	11,577
Non-interest income:		
Service charges and fees	836	577
Net gain on sales of participating interests in loans	343	-
Gain on Available for Sale Securities	-	194
Other	85	14
Total non-interest income	1,264	785
Non-interest expense:		
Compensation and benefits	6,570	5,336
Occupancy and equipment	2,448	1,861
Data processing service fees	830	734
Professional fees	672	660
FDIC assessment	306	272
Advertising	228	149
Insurance	138	116
Other	1,372	1,660
Total non-interest expense	12,564	10,788
Income before income taxes	5,911	1,574
Income tax expense	1,285	369
Net income	$ 4,626	$ 1,205

See accompanying notes to financial statements.

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ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	For the Twelve Months Ended December 31, 2021	For the Twelve Months Ended December 31, 2020
Net income	$ 4,626	$ 1,205
Other comprehensive income (loss):		
Unrealized gains/losses on securities available for sale:		
Unrealized holding gain/(loss) arising during the period	(147)	522
Reclassification adjustment for gains included in net income	-	(194)
	(147)	328
Tax effect	31	(69)
Total other comprehensive income (loss)	(116)	259
Comprehensive income	$ 4,510	$ 1,464

See accompanying notes to financial statements.

ES BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	Capital Stock Shares	Capital Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2020	6,648,320	$ 66	$ 35,816	$ (2,630)	$ (26)	$ 33,226
Stock based compensation, net			15			15
Comprehensive income:						
Net income for the period				1,205		1,205
Other comprehensive income					259	259
Balance at December 31, 2020	6,648,320	66	35,831	(1,425)	233	34,705
Stock based compensation, net			32			32
Comprehensive income:						
Net income for the period				4,626		4,626
Other comprehensive income/(loss)					(116)	(116)
Balance at December 31, 2021	6,648,320	66	35,863	3,201	$ 117	$ 39,247

See accompanying notes to financial statements

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

	2021	2020
Cash flows from operating activities:		
Net income for period	$ 4,626	$ 1,205
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	670	2,781
Depreciation expense	758	601
Amortization (accretion) of deferred fees, discounts and premiums, net	2,137	970
Stock based compensation expense	32	15
Net gain on sales of investment securities	-	(194)
Deferred tax expense	403	(316)
Changes in assets and liabilities:		
(Increase) decrease in other assets	1,146	(183)
(Decrease) increase in accrued expenses and other liabilities	(2,173)	3,591
Net cash provided by (used in) operating activities	7,599	8,470
Cash flows from investing activities:		
Proceeds from sales of available-for-sale securities	-	6,731
Proceeds from principal payments and maturities of AFS securities	2,367	2,384
Proceeds from principal payments and maturities of HTM securities	-	516
Purchase of held-to-maturity securities	(7,260)	-
Net repayments (originations) of loans	3,939	(67,064)
Redemption of Federal Home Loan Bank stock	665	609
Purchase of Federal Reserve Bank stock	(120)	(277)
Leasehold improvements and acquisitions of capital assets, net of disposals	(2,753)	(427)
Increase in cash surrender value of bank-owned life insurance	(5,068)	-
Net cash provided by (used in) investing activities	(8,230)	(57,528)
Cash flows from financing activities:		
Net increase in deposits	58,666	47,157
Proceeds from FHLB advances	-	10,000
Repayment of FHLB advances	(15,000)	(24,000)
Proceeds from FRB PPPLF advances	-	55,818
Repayment of FRB PPPLF advances	(46,490)	(9,159)
Proceeds from Subordinated Debt	-	14,000
Repayment of Millington Bank loan	-	(7,500)
Net cash provided by (used in) financing activities	(2,824)	86,316
Net increase (decrease) in cash and cash equivalents	(3,455)	37,258
Cash and cash equivalents at beginning of period	62,533	25,275
Cash and cash equivalents at end of period	$ 59,078	$ 62,533
Supplemental cash flow information		
Interest paid	2,849	$ 4,262
Income taxes paid	874	247
Transfer of securities from held to maturity to available for sale	-	11,751
Lease liabilities arising from obtaining right-of-use assets	-	3,812

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The consolidated financial statements include the accounts of ES Bancshares, Inc. (the "Company") and Empire State Bank (the"Bank"), the Company's wholly owned subsidiary, and the Bank's wholly owned subsidiaries, Iron Creek LLC and North Plank Realty Inc. II. The Company's financial condition and operating results principally reflect those of the Bank. All intercompany balances and amounts have been eliminated.

The Company's common stock is quoted on the OTCQX® Best Market, and trades under the symbol "ESBS".

The Bank was organized under federal law in 2004 as a national bank regulated by the Office of the Comptroller of the Currency ("OCC"). The Bank's deposits are insured up to legal limits by the FDIC. In March 2009, the Bank converted its charter to a New York State commercial bank charter, with the New York State Department of Financial Services becoming its primary regulator.

The Bank is a full service commercial bank that offers a variety of financial services to meet the needs of communities in its market area. The Bank attracts deposits from the general public and uses such deposits to originate commercial loans, commercial revolving lines of credit and term loans including USDA and SBA guaranteed loans, commercial real estate, mortgage loans secured by one-to four-family residences and to a lesser extent construction and land loans. The Bank also invests in mortgage-backed and other securities permissible for a New York State chartered commercial bank. The Bank's primary area for deposits includes the communities of Richmond, Kings and Orange counties in New York. The Bank's primary market area for its lending activities also consists of Kings, Richmond and Orange counties in New York.

In March 2020, the United States declared a National Public Health Emergency in response to the COVID-19 pandemic. In an effort to mitigate the spread of COVID-19, local state governments, including New York (in which the Bank has retail banking offices), have taken preventative or protective actions such as travel restrictions, advising or requiring individuals to limit or forego their time outside of their homes, and other forced closures for certain types of non-essential businesses. The impact of these actions is expected to continue to have an adverse impact on the economies and financial markets in the United States.

The Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law at the end of March 2020. The CARES Act is intended to provide relief and lessen a severe economic downturn. The stimulus package includes direct financial aid to American families and economic stimulus to significantly impacted industry sectors. The package also includes extensive emergency funding for hospitals and healthcare providers.

In December 2020, the 2021 Consolidated Appropriations Act was signed into law to provide additional relief.

It is possible that there will be continued material, adverse impacts to significant estimates, asset valuations, and business operations, including intangible assets, investments, loans, and deferred tax assets.

Basis of Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles of the United States. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense. Actual results could differ significantly from these estimates.

Cash Flows

Cash and cash equivalents include cash, deposits with other financial institutions excluding certificates of deposit, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions.

Securities

The Company is required to report readily-marketable debt securities in one of the following categories: (i) "held-to-maturity" (management has the positive intent and ability to hold to maturity), which are reported at amortized cost; (ii) "trading" (held for current resale), which are to be reported at fair value, with unrealized gain and losses included in earnings; and (iii) "available for sale" (all other debt securities), which are to be reported at fair value, with unrealized gains and losses reported net of taxes, as accumulated other comprehensive income, a separate component of stockholders' equity.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

The Company evaluates debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and whether management intends to sell or it is more likely than not that management would be required to sell the debt securities prior to their anticipated recovery.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their unpaid principal adjusted for any charge-offs, the allowance for loan losses, any deferred fees and costs on originated loans, and any unamortized premiums or discounts. Loan origination and commitment fees and certain direct loan origination costs will be deferred and the net amount amortized as an adjustment of the related loan's yield using methods that approximate the interest method over the contractual life of the loan. Loan interest income is accrued daily on outstanding balances. A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loans' existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosure unless considered troubled debt restructurings. The accrual of income on all classes of loans is generally discontinued when a loan becomes more than 90 days delinquent as to principal and interest or when other circumstances indicate that collection is questionable, unless the loan is well secured and in the process of collection. Income on all classes of nonaccrual loans will be recognized only in the period in which it is collected, and only if management determines that the loan principal is fully collectable. Loans are returned to an accrual status when a loan is brought current as to principal and interest and when reasons for doubtful collection no longer exist.

We may agree to modify the contractual terms of a borrower's loan. In cases where such modifications represent a concession to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring. Modifications as a result of a troubled debt restructuring may include, but are not limited to, interest rate modifications, payment deferrals, restructuring of payments to interest-only from amortizing and/or extensions of maturity dates. Modifications which result in insignificant payment delays and payment shortfalls are generally not classified as troubled debt restructurings. Loans modified in a troubled debt restructuring are included in impaired loans. The Coronavirus Aid Relief, and Economic Security ("CARES") Act allows financial institutions to suspend application of certain current TDR accounting guidance under ASC 310-40 for loan modifications related to the COVID-19 pandemic made between March 1, 2020 and the earlier of December 31, 2021 or 60 days after the end of the COVID-19 national emergency, provided certain criteria are met. This relief can be applied to loan modifications for borrowers that were not more than 30 days past due as of December 31, 2019 and to loan modifications that defer or delay the payment of principal or interest or change the interest rate on the loan. In April 2020, federal and state banking regulators issued the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus to provide further interpretation of when a borrower is experiencing financial difficulty, specifically indicating that if the modification is either short-term (e.g., six months) or mandated by a federal or state government in response to the COVID-19 pandemic, the borrower is not experiencing financial difficulty under ASC 310-40. After the forbearance agreement has expired, the Bank assesses the loan based on pre COVID-19 guidance and in accordance with lending policies.

Allowance for Loan Losses

The allowance for loan losses is increased by provisions for loan losses charged to income. For all portfolio segments, losses are charged to the allowance when all or a portion of a loan is deemed to be uncollectible. Subsequent recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

The allowance for loan losses is a significant estimate based upon management's periodic evaluation of each segment of the loan portfolio under current economic conditions, considering factors such as the Company's past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, and the estimated value of the underlying collateral. Establishing the allowance for loan losses involves significant management judgment, utilizing the best available information at the time of review. Those judgments are subject to further review by various sources, including the Bank's regulators, who may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination. While management estimates probable incurred loan losses using the best available information, future adjustments to the allowance may be necessary based on changes in economic and real estate market conditions, further information obtained regarding known problem loans, the identification of additional problem loans, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that in management's judgment should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers non-impaired loans and is based for all portfolio segments on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

In estimating specific allocations, we review loans deemed to be impaired, including loans modified in troubled debt restructurings, and measure impairment losses based on either the fair value of collateral, the present value of expected future cash flows, or the loan's observable market price. When an impairment analysis indicates the need for a specific allocation on an individual loan, the amount must be sufficient to cover probable incurred losses at the evaluation date based on the facts and circumstances of the loan. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are promptly charged-off against the allowance for loan losses.

Premises and Equipment

Land is carried at cost. Bank premises, leasehold improvements and furniture and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the related assets, which are 35 years for bank premises and 2 to 7 years for furniture and equipment. Amortization of leasehold improvements is recognized on a straight-line basis over the lesser of lease term or estimated useful lives, resulting in amortization periods ranging from approximately 5 to 15 years. Costs incurred to improve or extend the life of existing assets are capitalized. Repairs and maintenance are charged to expense.

Leases

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB advance rate, adjusted for the lease term and other factors.

As of the date of adoption, the Company elected to apply several of the available practical expedients available under ASU No. 2016-02 "Leases (Topic 842)", including:

- Carry over of historical lease determination and lease classification conclusions
- Carry over of historical initial direct cost balances for existing leases
- Accounting for lease and non-lease components in contracts in which the Company is a lessee as a single lease component

Disclosures about the Company's leasing activities are presented in Note 9 – Commitments and Contingencies.

Goodwill

Goodwill results from business acquisitions and represents the excess of the purchases price over the fair value of the acquired assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using tax rates. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Realization of deferred tax assets is dependent upon the generation of future taxable income. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of the state of New York and the City of New York. The Company is no longer subject to examination by taxing authorities for years before 2018.

Federal Reserve Bank

As a member of the Federal Reserve Bank (“FRB”) system, the Bank is required to maintain a minimum investment in FRB stock. Any excess may be redeemed by the Bank or called by the FRB at par. At its discretion, the FRB may declare dividends on this stock. The Bank had $1.3 million and $1.2 million invested in FRB stock at December 31, 2021 and December 31, 2020, respectively, which is carried at cost due to the fact that it is a restricted security.

Federal Home Loan Bank of New York

The Bank is a member of the Federal Home Loan Bank of New York (“FHLB”). As a member the Bank was required to maintain FHLB capital stock, in the amount of $1.1 million and $1.8 million at December 31, 2021 and 2020, respectively. The amount is carried at cost because it is a restricted security. The FHLB may declare dividends on this stock at its discretion.

Bank Owned Life Insurance

The Bank has purchased life insurance on certain key employees. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Comprehensive Income

Comprehensive income represents the sum of the net income and items of “other comprehensive income” that are reported directly in stockholders’ equity, such as the change during the period in the net unrealized gain or loss on securities available for sale.

Stock Options

The Company has a stock-based compensation plan as more fully described in Note 10. For accounting purposes, the Company recognizes expense for options to purchase common stock awarded under the Company's Stock Option Plan over the vesting period at the fair market value of the options on the date they are awarded.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Sales of Participating Interests in Loans

Gains or losses recognized on the sale of participating interests in loans are determined on a specific identification basis. Gains or losses are determined by allocating the carrying amount between the participating interest sold and the Company's retained interest, based on their relative fair values and taking into account any servicing rights retained. The retained interests, net of any discounts or premiums, are included in loans, net of allowance for loan losses, in the accompanying statements of financial condition.

Loan Servicing Rights

Servicing assets are recognized when participating interests in loans are sold with servicing retained, with the income statement effect recorded in gain on sale of participating interests in loans. Servicing rights are initially recorded at fair value. Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

Servicing rights are subsequently measured using the amortization method, which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying participating interests. Servicing rights are evaluated for impairment based upon the fair value of the rights compared to the carrying amount. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

Repossessed Assets

Real estate and other assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Not Yet Effective Accounting Standards

In June 2016, FASB issued guidance to replace incurred loss model with an expected loss model, which is referred to as current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in certain leases recognized by a lessor. In addition, the amendments in this update require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities. Public business entities that are not SEC filers are required to adopt the new CECL standard for reporting periods beginning after December 15, 2022. The Company has not yet determined the impact of the adoption this standard.

NOTE 2 – INVESTMENT SECURITIES

The following is a summary of the amortized cost, gross unrealized/unrecognized gains and losses, and estimated fair market value of investment securities available-for-sale and held-to-maturity at December 31, 2021 and December 31, 2020.

	December 31, 2021 (in thousands)			
	Amortized	Gross Unrecognized		Fair
	Cost	Gains	Losses	Value
Held to Maturity:				
Bank Subordinated Debt	$ 7,260	$ 4	$ (10)	$ 7,254
Total	$ 7,260	$ 4	$ (10)	$ 7,254

	December 31, 2021 (in thousands)			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
Available-for-Sale:				
Mortgage-backed securities - residential	$ 3,784	$ 148	$ --	$ 3,932
Total	$ 3,784	$ 148	$ --	$ 3,932

	December 31, 2020 (in thousands)			
	Amortized	Gross Unrealized		Fair
	Cost	Gains	Losses	Value
Available-for-Sale:				
Mortgage-backed securities - residential	$ 6,169	$ 295	$ --	$ 6,464
Total	$ 6,169	$ 295	$ --	$ 6,464

The Bank did not have any securities Held to Maturity as of December 31, 2020.

The following tables summarize the amortized cost and estimated fair market value of investment securities available-for-sale and held-to-maturity at December 31, 2021 and December 31, 2020, with amounts shown by remaining term to contractual maturity. Securities not due at a single maturity date, primarily mortgaged-backed securities are shown separately.

	At December 31, 2021		At December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
	Available for Sale		Held to Maturity	
Mortgaged-backed securities (1)	$ 3,784	$ 3,932	$ --	$ -
Bank Subordinated Debt				
Due less than one year	--	--	--	--
One year to less than three years	--	--	--	--
Three years to less than five years	--	--	--	--
Five years to ten years	--	--	7,260	7,254
More than ten years	--	--	--	--
Total securities available for sale	$ 3,784	$ 3,932	$ 7,260	$ 7,254

(1) Consisted of government agency and government sponsored enterprises issuances

(In Thousands)

	At December 31, 2020		At December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
	Available for Sale		Held to Maturity	
Mortgage-backed securities (1)	$ 6,169	$ 6,464	$ -	$ -
Bank preferred securities				
Due less than one year	-	-	-	-
One year to less than three years	-	-	-	-
Three years to less than five years	-	-	-	-
Five years to ten years	-	-	-	-
More than ten years	-	-	-	-
Total securities available for sale	$ 6,169	$ 6,464	$ -	$ -

There were no available-for-sale securities in an unrealized loss position at December 31, 2021 and December 31, 2020.

The following tables summarize held-to-maturity securities in an unrecognized loss position at December 31, 2021, the aggregate fair values and gross unrecognized losses by the length of time those securities had been in a continuous loss position. There were no held-to-maturity securities in an unrecognized loss position at and December 31, 2020.

	December 31, 2021					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
	(In thousands)					
Held to Maturity:						
Mortgage-backed securities	$ -	$ -	$ -	$ -	$ -	$ -
Bank subordinated debt	$ 4,250	$ 10	$ -	$ -	$ 4,250	$ 10
Total temporarily impaired	$ 4,250	$ 10	$ -	$ -	$ 4,250	$ 10

During the year ended December 31, 2021, the Company did not transfer any securities between the available for sale and held to maturity designations.

In March 2020, the Company sold $5.6 million of mortgage backed investment securities formally classified as Held to Maturity ("HTM") at a gain of $194 thousand. This transaction was largely prompted by the unprecedented decline in interest rates resulting from the coronavirus concerns. In accordance with ASC 320, investment securities sold from the HTM portfolio generally result in the reclassification of all such classified securities to the AFS classification. Accordingly, in March 2020 the Company reclassified the remaining investment securities classified as HTM to AFS.

ASC Section 320-10-25 indicates that events that are isolated, nonrecurring, and unusual for the reporting enterprise that could not be reasonably anticipated may cause an enterprise to sell or transfer an HTM debt security without necessarily calling into question its intent to hold other HTM securities to maturity. The transfer and sale discussed above was largely due to liquidity concerns surrounding the impending coronavirus pandemic that could not have been reasonably anticipated.

Bank Subordinated Debt securities purchased in 2021 were classified as HTM due to the long-term nature of these investments with a ten-year maturity. In addition, certain restrictions placed upon the sale of the Bank Subordinated Debt securities by the issuer were also considered in this classification. Further, the liquidity concerns, as noted above, are no longer present as the concern over COVID has subsided.

The Company evaluates debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and whether management intends to sell or it is not more likely than not that management would be required to sell the debt securities prior to their anticipated recovery. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. Management has reviewed the portfolio for other than temporary impairment and has determined that none exists as of December 31, 2021.

The Company did not sell any securities during 2021. The Company sold mortgage backed securities and debt securities in 2020 of $6.5 million. Gross gains on sales were $236 thousand and gross losses on sales were $42 thousand.

The Company had one security pledged at year end 2021 with a fair value of $591 thousand. The Company had one security pledged at year end 2020 with a fair value of $873 thousand.

NOTE 3 – LOANS

The following is a summary of loans receivable at December 31, 2021 and December 31, 2020.

	December 31, 2021	December 31, 2020
	(Dollars in thousands)	
Real estate loans:		
One-to four-family	$ 174,814	$ 174,279
Commercial		
Owner Occupied	42,566	37,948
Non Owner Occupied	122,387	108,187
Multi-family	40,917	36,496
Construction or development	-	1,225
Home equity		
Open Ended / Revolving	1,761	1,849
Closed Ended	280	299
Total real estate loans	382,725	360,283
Other loans:		
Commercial business		
Taxi Medallion	1,070	1,397
US Govt. Agency Guaranteed	535	993
PPP Loans	25,830	58,078
Commercial Business Lines of Credit and Term Loans	15,272	12,007
Consumer	320	54
Total other loans	43,027	72,529
Total loans receivable	425,752	432,812
Deferred loan costs (fees) net	2,353	1,605
Allowance for loan losses	(5,869)	(5,453)
Total loans receivable, net	$ 422,236	$ 428,964

Risk characteristics of the Company's portfolio segments include the following:

One-to Four- Family Real Estate Loans – Owner occupied loans secured by residential real estate properties are no longer offered by the Company but are held in the loan portfolio. Loans to investors of residential real estate properties, however, are still offered. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Commercial Real Estate Loans – In underwriting commercial real estate loans, the Company evaluates both the prospective borrower's ability to make timely payments on the loan and the value of the property securing the loan. Repayment of such loans may be negatively impacted should the borrower default or should there be a substantial decline in the value of the property securing the loan, or a decline in general economic conditions. Where the owner occupies the property, the Company also evaluates the business's ability to repay the loan on a timely basis. In addition, the Company may require personal guarantees, lease assignments and/or the guarantee of the operating company when the property is owner occupied. These types of loans may involve greater risks than other types of lending, because payments on such loans are often dependent on the successful operation of the business involved, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions affecting the borrowers' business.

Multifamily Real Estate Loans - In underwriting multifamily real estate loans, the Company evaluates both the prospective borrower's ability to make timely payments on the loan and the value of the property securing the loan. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Construction or Development Loans – Construction loans are short-term loans (generally up to 18 months) secured by land for both residential and commercial development. The loans are generally made for acquisition and improvements. Funds are disbursed as phases of construction are completed. Most non-residential construction loans require preapproved permanent financing or pre-leasing by the Company or another bank providing the permanent financing. The Company funds construction of single family homes and commercial real estate, when no contract of sale exists, based upon the experience of the builder, the financial strength of the owner, the type and location of the property and other factors. Construction loans are generally personally guaranteed by the principal(s). Repayment of such loans may be negatively impacted by the builders' inability to complete construction, by a downturn in the new construction market, by a significant increase in interest rates or by a decline in general economic conditions.

Home Equity Loans – Home equity loans secured by residential real estate properties are no longer offered by the Company but are held in the loan portfolio. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Commercial Business Loans – The Company's commercial and industrial loan portfolio consists primarily of commercial business loans and lines of credit to businesses and professionals. These loans are usually made to finance the purchase of inventory, new or used equipment or other short or long term working capital purposes. These loans are generally secured by corporate assets, often with real estate as secondary collateral, but are also offered on an unsecured basis. In granting this type of loan, the Company primarily looks to the borrower's cash flow as the source of repayment with collateral and personal guarantees, where obtained, as a secondary source. Commercial loans are often larger and may involve greater risks than other types of loans offered by the Company. Payments on such loans are often dependent upon the successful operation of the underlying business involved and, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions, management's inability to effectively manage the business, claims of others against the borrower's assets which may take priority over the Company's claims against assets, death or disability of the borrower or loss of market for the borrower's products or services.

The Company also originates Small Business Administration (SBA) loans to businesses within its lending market. These loans are underwritten substantially similar to commercial business loans discussed above and also in accordance with the SBA's guidelines and Standard Operating Procedure. A percentage, (50-85%) of each SBA loan is guaranteed by the SBA and the full faith and credit of the United States. The Company from time to time may sell the guaranteed portion of these loans into the secondary market.

Loans on New York City taxi medallions are no longer offered by the Company except in the case of the sale of a taxi medallion owned, or the restructuring of a current loan.

USDA guaranteed loans are, at times, purchased in the secondary market and have varying terms. Principal balance of these loans is guaranteed by the full faith and credit of the USDA.

The Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES" Act) and was implemented by the SBA to support the payroll and operations of small businesses through the issuance of government guaranteed loans that include a forgiveness feature for borrowers that satisfy PPP requirements. The Bank became a delegated SBA lender to make PPP loans. As of December 31, 2021, the Bank originated over thirteen hundred loans for approximately $116.9 million.

The PPP loans were originated in two groups, one in 2020 for approximately $62 million, and one in 2021 for approximately $55 million. Substantially all of the PPP loans in the first group were originated having a two-year term and a 1% interest rate while those originated in 2021 have a five year term and a 1% interest rate. Subsequent CARES Act changes extended the maturities of all loans to potentially five years at the borrower's option. Any changes are expected to be made at the end of the interest only phase and are expected to coincide with the forgiveness process. The SBA paid the Company fees ranging from 1-5% per loan depending on the loan principal amount. Fee income from processing PPP loans is amortized as a yield adjustment over the life of the loan. PPP loans are 100% guaranteed by the SBA as to principal and interest. As of December 31, 2021, the Bank had $25.8 million in remaining balances of PPP loans with approximately $89.3 million loans having been forgiven by the SBA and an additional $1.8 million repaid.

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2021 and December 31, 2020.

	December 31, 2021			December 31, 2020		
	Unpaid Principal Balance	Recorded Investment	Allowance For Loan Losses Allocated	Unpaid Principal Balance	Recorded Investment	Allowance For Loan Losses Allocated
		(In thousands)			(In thousands)	
With no related allowance recorded:						
Real estate loans:						
One-to four family	$ 1,858	$ 1,858	$ -	$ 1,889	$ 1,889	$ -
Commercial						
Owner Occupied	1,563	1,563	-	923	923	-
Non Owner Occupied	1,986	1,986	-	1,651	1,651	-
Multi-family	-	-	-	-	-	-
Construction or development	-	-	-	-	-	-
Home equity						
Open Ended/Revolving	95	95	-	-	-	-
Closed Ended	-	-	-	-	-	-
Total real estate loans	5,502	5,502	-	4,463	4,463	-
Other loans:						
Commercial business						
Taxi Medallion	971	971	-	1,397	1,397	-
US Govt. Agency Guaranteed		-	-		-	-
All Other	-	-	-	162	162	-
Consumer		-	-		-	-
Total other loans	971	971	-	1,559	1,559	-
Total loans	$ 6,473	$ 6,473	$ -	$ 6,022	$ 6,022	$ -
With an allowance recorded:						
Real estate loans:						
One-to four family	$ -	$ -	$ -	$ -	$ -	$ -
Commercial						
Owner Occupied	325	325	323	-	-	-
Non Owner Occupied	-	-	-	-	-	-
Multi-family	-	-	-	-	-	-
Construction or development	-	-	-	-	-	-
Home equity						
Open Ended/Revolving	-	-	-	-	-	-
Closed Ended	-	-	-	-	-	-
Total real estate loans	325	325	323	-	-	-
Other loans:						
Commercial business						
Taxi Medallion		-	-		-	-
US Govt. Agency Guaranteed		-	-		-	-
All Other	482	482	252	344	344	272
Consumer		-	-		-	-
Total other loans	482	482	252	344	344	272
Total loans	$ 807	$ 807	$ 575	$ 344	$ 344	$ 272
Grand totals	$ 7,280	$ 7,280	$ 575	$ 6,366	$ 6,366	$ 272

The recorded investment in loans excludes accrued interest and deferred loan costs (fees) due to immateriality.

	2021	2020
Average of individually impaired loans during year	$ 6,012	$ 4,625
Interest income recognized during impairment	462	174
Cash-basis interest income recognized	-	-

The following tables present the aging of the recorded investment in past due loans as of December 31, 2021 and December 31, 2020 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Loans Past Due Over 90 Days Still Accruing	Non Accrual	Total Past Due	Loans Not Past Due	Total
				(In thousands)			
Real estate loans:							
One-to four family	$ -	$ -	$ -	$ 658	$ 658	$ 174,156	$ 174,814
Commercial							
Owner Occupied	234	-	-	325	559	42,007	42,566
Non Owner Occupied	-	-	-	-	-	122,387	122,387
Multi-family	-	-	-	-	-	40,917	40,917
Construction or development	-		-	-	-	-	-
Home equity							
Open Ended/Revolving	-	-	-	95	95	1,666	1,761
Closed Ended	-	-	-	-	-	280	280
Total real estate loans	234	-	-	1,078	1,312	381,413	382,725
Other loans:							
Commercial business							
Taxi Medallion	-	-	-	665	665	405	1,070
US Govt. Agency Guaranteed	-	-	-	-	-	535	535
PPP Loans	-	16	-	-	16	25,814	25,830
All Other	190	83	-	201	474	14,798	15,272
Consumer	-	-	-	-	-	320	320
Total other loans	190	99	-	866	1,155	41,872	43,027
Total loans	$ 424	$ 99	$ -	$ 1,944	$ 2,467	$ 423,285	$ 425,752

	30 - 59 Days Past Due	60 - 89 Days Past Due	Loans Past Due Over 90 Days Still Accruing	Non Accrual	Total Past Due	Loans Not Past Due	Total
				(In thousands)			
Real estate loans:							
One-to four family	$ -	$ -	$ -	$ 659	$ 659	$ 173,620	$ 174,279
Commercial							
Owner Occupied	398	-	-	325	723	37,225	37,948
Non Owner Occupied	-	-	-	-	-	108,187	108,187
Multi-family	-	-	-	-	-	36,496	36,496
Construction or development	-		-	-	-	1,225	1,225
Home equity							
Open Ended/Revolving	-	-	-	-	-	1,849	1,849
Closed Ended	2	-	-	-	2	297	299
Total real estate loans	400	-	-	984	1,384	358,899	360,283
Other loans:							
Commercial business							
Taxi Medallion	-	-	-	588	588	809	1,397
US Govt. Agency Guaranteed	-	-	-	-	-	993	993
PPP Loans						58,078	58,078
All Other	7	-	-	424	431	11,576	12,007
Consumer	-	-	-	-	-	54	54
Total other loans	7	-	-	1,012	1,019	71,510	72,529
Total loans	$ 407	$ -	$ -	$ 1,996	$ 2,403	$ 430,409	$ 432,812

At year-end 2021 and 2020, the Company had $7.6 million and $10 thousand, respectively in interest only loans, excluding lines of credit and construction loans, and no loans with potential for negative amortization.

The Bank has extended credit to various directors, senior officers, and their affiliates. A transaction with related parties is conducted on terms equivalent to those prevailing in an arm's-length transaction.

Loans to related parties during 2021 were as follows:

(In thousands)	
Beginning balance at January 1, 2021	$ 3,704
New loans	-
Repayment	1,501
Ending balance at December 31, 2021	$ 2,203

The balance on December 31, 2021 does not include unused commitments totaling $1.3 million.

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis includes all loans, regardless of the outstanding balance, and non-homogenous loans, such as commercial and commercial real estate loans. This analysis is performed on an ongoing basis and results are reviewed each month. The Company uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves managements close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institutions credit positions at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

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

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are either consumer loans or are included in groups of homogeneous loans. As of December 31, 2021, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Not Classified	Special Mention	Sub-standard	Doubtful	Total Loans
Real estate loans:					
One-to four family	$ 172,625	933	1,256	$ -	$ 174,814
Commercial					
Owner Occupied	40,280	398	1,888	-	42,566
Non Owner Occupied	119,427	1,276	1,684	-	122,387
Multi-family	40,917	-	-	-	40,917
Construction or development	-	-	-	-	-
Home equity					
Open Ended/Revolving	1,666	-	95	-	1,761
Closed Ended	280	-	-	-	280
Total real estate loans	375,195	2,607	4,923	-	382,725
Other loans:					
Commercial business					
Taxi Medallion	99	-	971	-	$ 1,070
US Govt. Agency Guaranteed	535	-	-	-	535
PPP Loans	25,830	-	-	-	25,830
All Other	14,650	83	531	8	15,272
Consumer	320	-	-	-	320
Total other loans	41,434	83	1,502	8	43,027
Total loans	$ 416,629	$ 2,690	$ 6,425	$ 8	$ 425,752

As of December 31, 2020, the risk category of loans by class of loans was as follows:

	Not Classified	Special Mention	Sub-standard	Doubtful	Total Loans
Real estate loans:					
One-to four family	$ 172,323	$ 696	$ 1,259	$ -	$ 174,279
Commercial					
Owner Occupied	36,046	980	922	-	37,948
Non Owner Occupied	105,418	315	2,454	-	108,187
Multi-family	36,496	-	-	-	36,496
Construction or development	1,225	-	-	-	1,225
Home equity					
Open Ended/Revolving	1,849	-	-	-	1,849
Closed Ended	299	-	-	-	299
Total real estate loans	353,657	1,991	4,635	-	360,283
Other loans:					
Commercial business					
Taxi Medallion	(0)	-	1,397	-	$ 1,397
US Govt. Agency Guaranteed	993	-	-	-	993
PPP Loans	58,078	-	-	-	58,078
All Other	11,395	45	546	21	12,007
Consumer	54	-	-	-	54
Total other loans	70,520	45	1,943	21	72,529
Total loans	$ 424,177	$ 2,036	$ 6,578	$ 21	$ 432,812

Troubled Debt Restructurings:

From time to time, the terms of certain loans, for which the borrower is experiencing financial difficulties, are modified as troubled debt restructurings. In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company's internal underwriting policy. The modification of the terms of such loans include one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

Troubled debt restructurings totaled $2.5 million and $3.0 million as of December 31, 2021 and 2020, respectively. Of these amounts approximately $716 thousand and $688 were non-accrual on December 31, 2021 and 2020, respectively. There was $113 thousand of specific reserves allocated to such restructured loans as of December 31, 2021. There was $197 thousand of specific reserves allocated to such restructured loans as of December 31, 2020.

There are twelve troubled debt restructurings for $2.5 million as of December 31, 2021. Six of these loans totaling $627 thousand are loans collateralized by New York City Taxi Medallions, three are commercial real estate loans for $442 thousand, two are Small Business Administration ("SBA") Loans for $162 thousand and one is a residential mortgage loan for $1.3 million. None of these modifications occurred in 2021. Two modifications occurred in 2020, none in 2019, four in 2018 and the remainder occurred in 2017 or prior. During the year ended December 31, 2021, the Company charged off $247 thousand of taxi medallion loans relative to these modifications. During the year ended December 31, 2020, the Company charged off $369 thousand of taxi medallion loans relative to these modifications.

As of December 31, 2021, five of the troubled debt restructured loans for $1.8 million are accruing interest while seven for $716 thousand are on non-accrual status. The Company has no commitments to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

There were no loans modified and classified as troubled debt restructurings during the year ended December 31, 2021. There were three loans for $367 thousand modified as troubled debt restructurings during the year ended December 31, 2020.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ended December 31, 2020.

December 31, 2020	**# Loans**	**Pre-Modification O/S Recorded Investment**	**Post-Modification O/S Recorded Investment**
Troubled Debt Restructurings:			
Residential	-	-	-
Commercial and Industrial	-	-	-
SBA Loans	-	-	-
Taxi Medallions	3	638	367
Total	3	638	367

The troubled debt restructurings described above resulted in charge offs of $125 thousand during the year ended December 31, 2020.

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During the year ended December 31, 2020, the Bank modified 247 loans with a balance of $123.9 million resulting in the deferral of principal and/or interest for periods ranging from 90 to 180 days. The were no loans remaining on deferral as of December 31, 2021. All of these loans were performing in accordance with their terms prior to modifications and are in conformance with the CARES Act.

NOTE 4 – ALLOWANCE FOR LOAN LOSSES

The following table presents the balance in the allowance for loan losses by portfolio segment as of December 31, 2021 and 2020.

For the Twelve Months Ended December 31, 2021 (in thousands)									
	One-to-Four Family	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
Beginning Balance	$ 2,245	$ 1,446	$ 422	$ -	$ 2	$ 767	$ -	$ 571	$ 5,453
Charge-offs	-	-	-	-	-	(254)		-	(254)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for loan losses	(19)	384	65	-	-	294	-	(54)	670
Ending Balance	$ 2,226	$ 1,830	$ 487	$ -	$ 2	$ 807	$ -	$ 517	$ 5,869

For the Twelve Months Ended December 31, 2020 (in thousands)									
	One-to-Four Family	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
Beginning Balance	$ 975	$ 702	$ 202	$ -	$ 3	$ 1,314	$ -	$ 343	$ 3,539
Charge-offs	-	-	-	-	-	(867)		-	(867)
Recoveries	-	-	-	-	-	-	-	-	-
Provision for loan losses	1,270	744	220	-	(1)	320	-	228	2,781
Ending Balance	$ 2,245	$ 1,446	$ 422	$ -	$ 2	$ 767	$ -	$ 571	$ 5,453

The following table presents the balance of recorded investment in loans by portfolio segment based on the impairment method and the corresponding balance in allowance for loan losses as of December 31, 2021 and December 31, 2020.

December 31, 2021 (In thousands)									
	1-4 Family Residential Real Estate	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
Allowance for loan losses:									
Individually evaluated for impairment	$ -	$ 323	$ -	$ -	$ -	$ 252	$ -	$ -	$ 575
Collectively evaluated for impairment	2,226	1,507	487	-	2	555	-	517	5,294
Total allowance balance	$ 2,226	$ 1,830	$ 487	$ -	$ 2	$ 807	$ -	$ 517	$ 5,869
Loans:									
Loans individually evaluated for impairment	$ 1,858	$ 3,874	$ -	$ -	$ 95	$ 1,453	$ -	$ -	$ 7,280
Loans collectively evaluated for impairment	172,956	161,079	40,917	-	1,946	41,254	320	-	418,472
Total ending loans balance	$174,814	$ 164,953	$ 40,917	$ -	$ 2,041	$ 42,707	$ 320	$ -	$ 425,752

	December 31, 2020								
	1-4 Family Residential Real Estate	Commercial Real Estate	Multifamily Real Estate	Construction or Development	Home Equity	Commercial Business	Consumer	Unallocated	Total
	(In thousands)								
Allowance for loan losses:									
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 272	$ -	$ -	$ 272
Collectively evaluated for impairment	2,245	1,446	422	-	2	495	-	571	5,181
Total allowance balance	$ 2,245	$ 1,446	$ 422	$ -	$ 2	$ 767	$ -	$ 571	$ 5,453
Loans:									
Loans individually evaluated for impairment	$ 1,888	$ 2,573	$ -	$ -	$ -	$ 1,904	$ -	$ -	$ 6,366
Loans collectively evaluated for impairment	172,391	143,562	36,496	1,225	2,148	70,571	54	-	426,446
Total ending loans balance	$174,279	$ 146,135	$ 36,496	$ 1,225	$ 2,148	$ 72,475	$ 54	$ -	$ 432,812

NOTE 5 – PREMISES AND EQUIPMENT

The following is a summary of premises and equipment at December 31, 2021 and December 31, 2020.

	December 31,	
	2021	2020
	(In thousands)	
Land	$ 193	$ 193
Furniture, fixtures, and equipment	2,720	2,238
Bank Premises	2,018	2,018
Leasehold Improvements	4,809	2,538
	9,740	6,987
Less: accumulated depreciation and amortization	(3,313)	(2,555)
Total premises and equipment, net	$ 6,427	$ 4,432

Depreciation expense was $758 thousand and $601 thousand for 2021 and 2020, respectively.

NOTE 6 – DEPOSITS

The following is a summary of deposit balances at December 31, 2021 and December 31, 2020.

	December 31,	
	2021	2020
	(in thousands)	
Non-interest Demand deposit accounts	$ 149,392	$ 109,634
Interest Demand deposits	31,484	26,593
Money market accounts	9,623	10,375
Regular savings accounts	165,718	137,964
Certificates of Deposit	77,468	90,453
Total	$ 433,685	$ 375,019

The following summarizes certificates of deposit by remaining term to contractual maturity at December 31, 2021 (in thousands).

Under one year	$ 56,791
One year to under two years	6,189
Two years to under three years	3,583
Three years to under four years	304
Four years to under five years	10,601
Five years to under six years	-
Total Certificates of Deposit	77,468

Certificates of deposit of $250 thousand or more totaled $20.1 million and $26.8 million at December 31, 2021 and December 31, 2020, respectively. The Company utilizes brokered deposits. As of December 31, 2021 and 2020, $10.0 million and $3.1 million, respectively, of brokered deposits were included in certificates of deposit.

Deposits from directors, senior officers and their affiliates were approximately $12.6 million and $11.8 million at December 31, 2021 and December 31, 2020, respectively.

NOTE 7 – BORROWINGS

Federal Home Loan Bank Advances

The Company had $15.0 million and $30.0 million in outstanding Federal Home Loan Bank Advances as of December 31, 2021 and 2020.

Advances from the Federal Home Loan Bank were as follows (in thousands):

	2021	2020
Fixed rates with an average rate of 1.35% and 1.71%	$15,000	$30,000

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were fully collateralized by pledged loans, consisting of commercial real estate and residential mortgages from the Company. Based on this collateral, available investment security collateral, and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $117.2 million at year-end 2021 including the $15.0 million in term advances outstanding at December 31, 2021.

Payment Information: Required principal payments over the next five years are as follows (in thousands):

2021	$	-
2022	$	-
2023	$	-
2024	$	5,000
2025	$	10,000
	$	15,000

Federal Reserve Bank Advances

During 2020 and 2021, the Bank participated in the Federal Reserve Bank Paycheck Protection Program Liquidity Facility ("PPPLF"). The PPPLF was created on April 9, 2020 to strengthen a key component of the massive $2 trillion stimulus bill passed by Congress in March 2020. Specifically, the PPPLF loans money to commercial lenders that are, in turn, loaning money to small businesses through the Paycheck Protection Program (PPP). The Bank made loans to small businesses through the PPP and then pledged those loans as collateral on the PPPLF Advances. The intent is to help small businesses, a major job generator, quickly obtain loans to maintain their payrolls in the face of business disruptions due to the coronavirus pandemic.

Under the PPPLF, Federal Reserve Banks are authorized to supply liquidity to financial institutions participating in the PPP in the form of term financing on a non-recourse basis while taking PPP loans as collateral. No fees are associated with the facility. Credit is extended at an interest rate of 35 basis points, and the PPP loans posted as collateral are taken at face value. The principal amount and maturity of an extension of credit under the facility are equal to the principal amount and maturity of the PPP loans pledged as collateral. The maturity date is accelerated commensurate with any loan forgiveness reimbursement received by the eligible borrower from the SBA, or if the underlying PPP loan goes into default and the PPP loan is sold to the SBA in return for the guarantee.

In 2020, the Bank pledged as much as $55.5 million of PPP loans in exchange for PPPLF Advances from the Federal Reserve Bank of New York. As of December 31, 2021, and 2020, the Bank had $169 thousand and $46.7 million, respectively, of PPPLF Advances outstanding that is included in Borrowings on the Financial Statements. During 2021, the SBA PPP loans used to collateralize these advances were largely forgiven by the SBA, and the corresponding advances were repaid.

Subordinated Note

The Company issued a $14.0 million subordinated note during the year ended December 31, 2020. The proceeds of this issuance were partially utilized to pay off a $7.5 million line of credit with Kearny Bank (formerly Millington Bank). In addition, the Company invested $4.0 million into the Bank to build Tier 1 Capital and retained approximately $2.0 million to provide an interest reserve to service the new debt. The debt carries a term and interest rate of 10 years and 6.0%, respectively, and is fixed for the first five years and then becomes floating at the three-month term Secured Overnight Financing Rate ("SOFR") plus 579 basis points. The debt is callable at par on October 30, 2025 and has a final maturity of October 30, 2030.

Lines of Credit

The Company has a line of credit with a correspondent bank for an amount of up to $7.0 million. This credit facility is on a secured basis for $3.0 million for a period of one hundred eighty (180) calendar days and an unsecured basis of $4.0 million for a period of fourteen (14) calendar days. The Bank did not utilize this credit facility at any time during 2021 or 2020.

The Company also has a line of credit for up to $6.0 million with another correspondent bank. This credit facility is on an unsecured basis and is intended for overnight use in cash settlement. The Bank did not utilize this credit facility at any time during 2021 or 2020.

The Company had a line of credit with Kearny Bank (formerly Millington Bank) for an amount of up to $7.5 million. This credit facility was secured by 100% of the outstanding shares of the Bank. The Company utilized the proceeds of the abovementioned subordinated note to pay off and cancel the line of credit on October 28, 2020. The Company had utilized this credit facility primarily to downstream funds to the Bank to enable it to maintain strong capital ratios and leverage the balance sheet by increasing assets.

NOTE 8 – INCOME TAXES

The following summarizes components of income tax expense for the years ended December 31, 2021 and December 31, 2020.

YEARS ENDED DECEMBER 31,	**2021**	**2020**
CURRENT:		
FEDERAL EXPENSE (BENEFIT)	883	153
STATE AND LOCAL EXPENSE (BENEFIT)	-	56
TOTAL	883	209
DEFERRED:		
FEDERAL EXPENSE (BENEFIT)	402	161
STATE AND LOCAL EXPENSE (BENEFIT)	522	(477)
TAX EXPENSE (BENEFIT) BEFORE VALUATION AI	924	(316)
VALUATION ALLOWANCE	(522)	476
TOTAL TAX EXPENSE	**1,285**	**369**

The following is a reconciliation of the Company's statutory federal income tax rate, 21%, to its effective tax rate at December 31, 2021 and December 31, 2020.

YEARS ENDED DECEMBER 31,	2021	2020
FEDERAL STATUTORY RATE	21%	21%
FEDERAL TAX EXPENSE (BENEFIT) AT STATUTORY RATE	1,241	331
INCREASE (DECREASE) IN TAX RESULTING FROM:		
STATE AND LOCAL TAXES, NET OF FEDERAL INCOME	(29)	(575)
ADJUSTMENT TO DEFERRED ITEMS	387	102
OTHER PERMANENT ITEMS	208	35
TAX REFORM - DTA	-	-
TOTAL	1,807	(107)
VALUATION ALLOWANCE	(522)	476
NET TAX EXPENSE (BENEFIT)	1,285	369

The following summarizes the balance of the Company's deferred tax assets and deferred tax liabilities at December 31, 2021 and December 31, 2020.

	December 31, 2021	December 31, 2020
	(in thousands)	
Deferred Tax Assets	$ 6,303	$ 6,806
Less: Valuation allowance	(1,958)	(2,480)
Net deferred tax assets	4,345	4,326
Deferred tax liabilities	4,991	4,600
Net deferred tax asset (liability)	$ (646)	$ (274)

Deferred taxes relate primarily to State and City net operating loss carryforwards and timing differences associated with the allowance for loan losses.

The Company has New York State and New York City net operating loss carryforwards available of $26.1 million and $14.1 million, respectively, expiring between years 2025 and 2041.

The Company has recorded a federal deferred tax asset that, based upon an analysis of the evidence, it expects such federal deferred tax asset to be realizable. The federal deferred tax asset is included in other assets on the balance sheet. However, due to the change in New York State tax legislation passed in 2014, and New York City in 2015, the Company generated New York State losses in 2020 and 2021 and it is more likely than not the Company will continue to generate New York tax losses in future years. Therefore, the Company calculates its New York State and City tax liability on the basis of average equity capital or a minimum filing fee. Consequently, the Company has recorded a valuation allowance against its net New York State and City deferred tax assets as of December 31, 2021 and 2020, as it is unlikely these deferred tax assets will impact the Company's New York State or City tax liability in future years.

There were no significant unrecognized tax benefits at December 31, 2021, and the Company does not expect any significant increase in unrecognized tax benefits in the next twelve months

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company has not been a party to any legal proceedings, which may have a material effect on the Company's results of operations and financial condition. However, in the normal course of its business, the Company may become involved as plaintiff or defendant in proceedings such as judicial mortgage foreclosures and proceedings to collect on loan obligations and to enforce contractual obligations.

Lessee Arrangements

The Company enters into leases in the normal course of business primarily for banking centers, back office operations locations, and loan production offices. The Company's leases have remaining terms ranging from 5 to 10 years, some of which include renewal or termination options to extend the lease for up to 20 years and some of which include options to terminate the lease within 5 years. The Company's leases do not include residual value guarantees or covenants.

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. The Company has elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's balance sheet.

	December 31, 2021	December 31, 2020
Right-of-Use assets:		
Operating leases	$ 5,563	$ 6,188
Total right-of-use assets	$ 5,563	$ 6,188
Lease liabilities:		
Operating leases	$ 5,759	$ 6,298
Total lease liabilities	$ 5,759	$ 6,298

Lease Expense

The components of total lease cost were as follows for the period ending:

	December 31, 2021	December 31, 2020
Operating Lease cost	$ 767	$ 452
Total lease cost, net	$ 767	$ 452

Lease obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2021 are as follows:

2022	$	751
2023		727
2024		647
2025		633
2026		654
Thereafter		3,028
Total undiscounted lease payments	$	6,440
Less: Imputed interest		681
Net Lease Liabilities	$	5,759

Supplemental Lease Information	December 31, 2021	December 31, 2020
Operating lease weighted average remaining lease term (years)	10.2	11.0
Operating lease weighted average discount rate	2.36%	2.37%
Operating cash flows from operating leases	$ 681	$ 408
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -	$ 3,812

Off-Balance Sheet Financial Instruments

Loan origination commitments and lines of credit are contractual agreements to lend to customers within specified time periods at interest rates and on other terms specified in the agreements. These financial instruments involve elements of credit risk and interest rate risk in addition to the amounts for funded loans recognized in the balance sheet. The contractual amounts of commitments and lines of credit represent the Bank's maximum potential exposure to credit loss (assuming that the agreements are fully funded and any collateral proves to be worthless), but do not represent future cash requirements since certain agreements may expire without being fully funded. Loan commitments generally have fixed expiration dates (ranging up to three months) or other termination clauses and may require the payment of a fee by the customer. Commitments and lines of credit are subject to the same credit approval process applied in the Bank's general lending activities, including a case-by-case evaluation of the customer's creditworthiness and related collateral requirements. Substantially all of these commitments and lines of credit have been provided to customers within the Bank's primary lending area. Loan origination commitments at December 31, 2021 consisted of primarily adjustable, with interest rates ranging from 3.50 to 4.75% and terms generally not exceeding 90 days. Loan origination commitments at December 31, 2020 consisted of primarily adjustable, with interest rates ranging from 3.625 to 6.00% and terms generally not exceeding 90 days.

The contractual amounts of financial instruments with off-balance sheet risk at year-end were as follows:

	2021		2020	
	(In thousands)			
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ 5,095	$ 13,649	$ 2,554	$ 11,571
Unused lines of credit	30	10,036	30	8,660
Standby letters of credit	--	159	--	--

NOTE 10 – EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

Stock Options

On March 18, 2014 the Board of Directors approved the adoption of the Company's 2014 Stock Option Plan which allows for 331,000 options. These options have a 10-year term and may be either non-qualified stock options or incentive stock options. The options vest immediately for those options granted to Directors and at either a rate of 20% on each of five annual vesting dates or 33.33% on each of three annual vesting dates for those options granted to employees. The Board of Directors determines the vesting period in accordance with its decisions to make grants. Each option entitles the holder to purchase one share of common stock at an exercise price equal to the fair market value of the stock on the grant date. At December 31, 2021, there were 1,500 shares available for future grant under the 2014 Stock Option Plan.

For accounting purposes, the Company recognizes expense for options awarded under the Company's 2014 Stock Option Plan over the vesting period at the fair market value of the options on the day they are awarded. The fair value of each option award is estimated on the date of grant using the Black-Scholes model that uses the assumptions noted in the table below.

	2021
Risk -Free interest rate	1.44%
Expected Term (in years)	7
Expected stock price volatility	0.30

	2020
Risk -Free interest rate	0.65%
Expected Term (in years)	7
Expected stock price volatility	0.30

Expected volatilities are based on historical volatilities of the Company's common stock. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of options outstanding under the Bank’s 2014 Stock Option Plan as of December 31, 2021, and changes during the year then ended is presented below.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Intrinsic Value (000's)
Outstanding at January 1, 2021	294,000	$ 3.33		
Granted	42,500	5.08		
Exercised	-	-		
Forfeited or expired	(15,000)	4.22		
Surrendered	-	-		
Outstanding at December 31, 2021	321,500	$ 3.52	4.4	$ 540
Options exercisable at December 31, 2021	279,400	$ 3.32	3.7	$ 375
Vested and expected to vest	321,500	3.52	4.4	540

There were no options exercised during the years ended December 31, 2021 or 2020.

As of December 31, 2021, there was $58 thousand of total unrecognized compensation cost related to non-vested stock options granted under the 2014 Stock Option Plan. The cost is expected to be recognized over a weighted average remaining period of approximately 31 months.

401(k) Plan

A 401(k) benefit plan allows employee contributions up to 15% of their compensation. The Bank made a matching contribution of $94 thousand and $63 thousand in in the years ended December 31, 2021 and 2020, respectively.

NOTE 11 – FAIR VALUE

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards describe three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are

observable or can be corroborated by observable market data.
Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. However, such adjustments did not have a material impact on the overall financial statements.

Repossessed Assets: The Bank's repossessed assets consist of two New York City Taxi Medallions. The fair value of these assets acquired through repossession are determined by a review of recent sales of Medallions and adjusted accordingly as a Level 3 classification of the inputs for determining fair value.

Assets measured at fair value on a recurring basis are summarized below.

		Fair Value Measurements (in thousands) at December 31, 2021 Using		
	Carrying Value	Quoted Prices in Active	Observable Inputs (Level 2)	Unobservabl Inputs (Level 3)
Financial Assets				
Investment securities available-for-sale:				
Mortgage-backed securities-residential	3,932	-	3,932	-
Total available-for-sale	$ 3,932	$ -	$ 3,932	$ -

		Fair Value Measurements (in thousands) at December 31, 2020 Using		
	Carrying Value	Quoted Prices in Active	Observable Inputs (Level 2)	Unobservabl Inputs (Level 3)
Financial Assets				
Investment securities available-for-sale:				
Mortgage-backed securities-residential	6,464	-	6,464	-
Total available-for-sale	$ 6,464	$ -	$ 6,464	$ -

Assets measured at fair value on a non-recurring basis are summarized below:

	Carrying Value	Fair Value Measurements (in thousands) at December 31, 2021 Using Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Impaired Loans				
Commercial Term Loan	$ 1,129	-	-	$ 1,129
Commercial Real Estate	$ 1	-	-	$ 1
Respossessed Property	$ -	-	-	$ -

		Carrying Value	Fair Value Measurements (in thousands) at December 31, 2020 Using Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:					
Impaired Loans					
Commercial Term Loan	C&I	$ 1,398	-	-	$ 1,398
Commercial Real Estate	CRE	$ -	-	-	$ -
Residential Real Estate	Res	$ -	-	-	$ -
Respossessed Property		147	-	-	147

($ in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation technique	Unobservable inputs	Range (Weighted Average)
	Fair Value Measuremeants at December 31, 2021 Using:						
Impared loans:							
Commercial & Industrial Loans	$ 1,129	-	-	1,129	Sales Comparison approach	Adjustments for differences between comparable sales	10% - 87% (18%)
Commercial Real Estate Loans	1	-	-	1	Sales Comparison approach	Adjustments for differences between comparable sales	99% (99%)
Repossessed Assets	-	-	-	-			

($ in thousands)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation technique	Unobservable inputs	Range (Weighted Average)
	Fair Value Measuremeants at December 31, 2020 Using:						
Impared loans:							
Commercial & Industrial Loans	$ 1,398	-	-	1,398	Sales Comparison approach	Adjustments for differences between comparable sales	24%-100% (30%)
Commercial Real Estate Loans	-	-	-	-	Sales Comparison approach	Adjustments for differences between comparable sales	-
Repossessed Assets	147	-	-	147	Sales Comparison approach	Adjustments for differences between comparable sales	33% (33%)

Impaired loans: Impaired loans measured at fair value at December 31, 2021 had a book value of 1.7 million, with a valuation allowance of $575 thousand. Impaired loans measured at fair value at December 31, 2020 had a book value of $1.7 million, with a valuation allowance of $272 thousand.

Repossessed Assets: There were no Repossessed Assets as of December 31, 2021. At December 31, 2020 the Bank had Repossessed Assets with a carrying value of $147 thousand.

The carrying amounts and estimated fair values of financial instruments not carried at fair value at December 31, 2021 are as follows:

		Fair Value Measurements at December 31, 2021 Using			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, due from banks, federal funds sold	59,078	59,078	-	-	59,078
Securties held to maturity	7,254	-	7,254	-	7,254
Loans, net	428,105	-	-	409,783	409,783
Financial liabilities					
Time Deposits	77,468	-	-	77,459	77,459
Borrowings	29,169			29,156	29,156

		Fair Value Measurements at December 31, 2020 Using			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Cash, due from banks, federal funds sold	62,533	62,533	-	-	62,533
Securties held to maturity	-	-	-	-	-
Loans, net	434,417	-	-	434,962	434,962
Financial liabilities					
Time Deposits	90,453	-	-	90,922	90,922
Borrowings	90,659			91,289	91,289

NOTE 12- REGULATORY CAPITAL REQUIREMENTS

Federal Reserve Board regulations requires that state-chartered, FRB-member banks, such as Empire State Bank, maintain minimum regulatory capital levels. Under prompt corrective action regulations, the regulatory agency is required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on the Company's consolidated financial statements. The regulations establish a framework for the classification of institutions into five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The U.S. Basel III rules became effective for the Bank on January 1, 2015, and set forth the composition of regulatory capital including the application of regulatory capital adjustments and deductions. Prior to January 1, 2015, regulatory capital was calculated under the Basel I framework. Regulatory capital guidelines require that capital be measured in relation to the credit and market risks of both on- and off-balance sheet items using various risk weights. These risk weights were amended as part of the Basel III framework.

The capital rules under Basel III implement a revised definition of regulatory capital including a new common equity Tier 1 capital ratio with a minimum requirement of 4.5% and a higher minimum Tier 1 capital ratio of 6.0%. Under the new rules, the total capital ratio remains at 8.0% and the minimum leverage ratio (Tier 1 capital to total assets) for all banking organizations is 4.0%.

Under the new capital rules, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization must hold a capital conservation buffer composed of common equity Tier 1 capital above its minimum risk based capital requirements. The capital conservation buffer and the deductions from common equity Tier 1 capital phase in over time, beginning on January 1, 2016. The capital conservation buffer for 2021 is 2.50%

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 capital (as defined by the regulations) to risk weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes that as of December 31, 2021, the Bank meets all capital adequacy requirements to which it is subject. Further, the most recent regulatory notification categorized the Bank as a well-capitalized institution under the prompt corrective action regulations. There have been no conditions or events since that notification that management believes have changed the Bank’s capital classification.

The following table presents the regulatory capital, assets and risk based capital ratios for the Bank under the Basel III framework, excluding conservations buffers, at December 31, 2021 and December 31, 2020:

	Bank Actual		Minimum Capital Adequacy		Classification as Well Capitalized	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2021			(Dollars in thousands)			
Tier I (core) capital to Average Assets	$ 50,297	9.9%	$ 20,336	4.0%	$ 25,420	5.0%
Common Equity Tier 1 to Risk Weighted Assets	50,297	15.5	14,651	4.5	21,163	6.5
Tier 1 Capital to Risk Weighted Assets	50,297	15.5	19,535	6.0	26,047	8.0
Total Capital to Risk Weighted Assets	54,389	16.7	26,047	8.0	32,559	10.0

	Bank Actual		Minimum Capital Adequacy		Classification as Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020			(Dollars in thousands)			
Tier I (core) capital to Average Assets	$ 44,757	8.7%	$ 18,449	4.0%	$ 23,061	5.0%
Common Equity Tier 1 to Risk Weighted Assets	44,757	15.5	13,021	4.5	18,808	6.5
Tier 1 Capital to Risk Weighted Assets	44,757	15.5	17,361	6.0	23,148	8.0
Total Capital to Risk Weighted Assets	48,397	16.7	23,148	8.0	28,935	10.0

The Federal Reserve Bank of New York and the New York State Department of Financial Services regulate the amount of dividends and other capital distributions that the Bank may pay to the Company. All dividends must be paid out of undivided profits and cannot be paid out from capital. In general, if the Bank has undivided profits and satisfies all regulatory capital requirements both before and after a dividend payment, the Bank may pay a dividend to the Company, in any year, equal to the current year's net income plus retained net income for the preceding two years that is still available for dividend.

NOTE 13 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Company's sources of Non-Interest Income for the twelve months ended December 31, 2021 and 2020. Items outside the scope of ASC 606 are noted as such.

	Year Ended 12/31/2021	Year Ended 12/31/2020
Service charges on deposits:		
Overdraft fees	218	197
Wire transfer fees	77	72
Other	27	28
ATM fee income	107	62
Interchange fee income	35	30
Net gains on sale of loans [a]	343	-
Loan servicing fees [a]	372	188
Net gains on sale of securities [a]	-	194
Income on Bank Owned Life Insurance [a]	68	-
Other [b]	17	14
Total non-interest income	1,264	785

[a] Not within the scope of ASC 606.

[b] The Other category includes safe deposit rental fees of $7 thousand that is within the scope of ASC 606; the remaining balance of $10 thousand represents other miscellaneous income which is outside the scope of ASC 606.

Service Charges on Deposit Accounts: The Company earns fees from its 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 transaction is executed as that is the point in time the Company fulfills the customer's request. 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 the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange income: The Company earns interchange fees debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Insured Cash Sweep Fees: The Company earns fees from the Promontory Network's Insured Cash Sweep (ICS) product. These fees are based on the daily amount of ICS One-Way-Sell transactions within the Network and are determined utilizing an interest rate comparable to the federal funds rate. The fees are recognized daily based upon outstanding ICS One-Way-Sell balances.

NOTE 14 - SUBSEQUENT EVENT

On December 23, 2021, the Bank entered into a purchase and assumption agreement to sell its Newburgh, New York branch office located at 68 North Plank Road, Newburgh, New York. The buyer, Wallkill Federal Savings and Loan Association ("Wallkill), will purchase the branch office facility and certain loans and assume its deposits. Included in the transaction are approximately $67.6 million of deposits and $10.6 million of loans along with approximately $1.6 million of fixed assets. Wallkill filed an Interagency Bank Merger Act Application with the Office of the Comptroller of the Currency for approval of the proposed transaction. The Bank expects to recognize an estimated $1.5 million of noninterest income based on deposit levels to be sold in connection with the sale of its office. The transaction is expected to close in June 2022.

In conjunction with the above transaction, the Company and the Bank will relocate its corporate headquarters to a new facility to be located at 1441 South Avenue, Staten Island, New York. Further, the Bank's Main Office will be relocated to 2212 Hylan Boulevard, Staten Island, New York.

ES Bancshares, Inc.
Stockholder Information

Shareholder General Inquiries

Philip Guarnieri
Chief Executive Officer
ES Bancshares, Inc.
2047 Victory Boulevard
Staten Island, NY 10314
(845) 451-7825

Transfer Agent

Pacific Stock Transfer
6725 Via Austi Pkwy Suite 300
Las Vegas, NV 89119
Tel:+1-800-785-7782
E-mail: info@pacificstocktransfer.com
Website: https://pacificstocktransfer.com/contact

Corporate Information

Corporate Office

ES Bancshares, Inc.
68 North Plank Road
Newburgh, NY 12550

Telephone: (845) 561-0003
PEdwards@esbna.com
www.esbna.com

Independent Auditors

Crowe LLP
488 Madison Avenue, Floor 3
New York, New York 10022-5702

Special Counsel/Washington, D.C.

Luse Gorman P.C.
5335 Wisconsin Avenue, NW Suite 780
Washington, D.C. 20015

Empire State Bank Locations

South Avenue Banking Center
1441 South Avenue, Suite 101
Staten Island, NY 10314
(718) 303-6915

Hylan Boulevard Banking Center
2212 Hylan Boulevard
Staten Island, NY 10306
(718) 351-0590

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

Victory Boulevard Business Loan Center
2047 Victory Boulevard
Staten Island, NY 10314
(347) 592-1950

Administrative Offices
1361 North Railroad Avenue
Staten Island, NY 10306
(718) 351-0590

Astoria Business Loan Center
31-87 30th Street
Queens, NY 11106
(347) 592-1946

3rd Avenue Banking Center
8701 Third Avenue
Brooklyn, NY 11209
(347) 695-9040

18th Avenue Banking Center
6923 18th Avenue
Brooklyn, NY 11204
(718) 942-3636

Newburgh Banking Center
68 North Plank Road
Newburgh, NY 12550
(845) 561-0003

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