2023

INTERAUDI | BANK

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Interaudi Bank and Subsidiaries

INTERAUDI BANK AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

INTERAUDI BANK AND SUBSIDIARIES
New York, New York

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February 29, 2024

Chairman's Letter

Dear Shareholders,

As we reflect on 2023, Interaudi Bank continued to navigate a challenging global economic landscape with resilience and strategic foresight. Amidst fluctuating market dynamics, including continued interest rate adjustments by the Federal Reserve, and the ongoing challenges of global geopolitical tensions, we have once again demonstrated our bank's unwavering commitment to sustainable growth and financial stability.

The US economy, though facing headwinds, demonstrated remarkable adaptability. Employment levels remained robust, supporting consumer spending and the broader economic activity. Inflationary pressures, while still a concern, showed signs of moderation towards the latter part of the year, thanks in part to policy interventions and market adjustments.

In this ever-evolving economic context, Interaudi Bank has continued to grow steadily and conservatively. Our performance in 2023 stands as a testament to the strength of our operations, the loyalty of our clients, and the dedication of our team.

Financial Highlights of 2023:

Deposits ended the year at $1.94 billion a 10.6% decrease from 2022. $303 MM of the bank's deposits transitioned to Ameraudi Asset Management, as clients sought to lock in high interest rates on short term treasuries and invest in other financial assets. Netting out these flows, our deposits were stable for the year, a clear indicator of our customers' trust and confidence in our institution.

Liquidity and Investments: Our liquidity position remains very robust, with cash and cash equivalents representing 354.3 million. Our un-encumbered investment portfolio, focused on short term, high-quality securities, stood at $615.4 million. As a result, total on-balance sheet liquidity totaled $970 MM, representing 50% of total deposits.

Loan Portfolio: Loans extended by the bank increased by 7.9%, as our total loan portfolio stood at $1.26 billion. The quality of our loan book remains solid, with very few problem loans, and a very conservative profile.

Capital Adequacy: Our risk-based total capital ratio further improved to 20.9%, more than twice the 8% required for capital adequacy purposes, reinforcing our solid capital foundation and our ability to withstand economic fluctuations.

Profitability: The bank achieved a pre-tax profit of $43.6 million and a net income of $31.7 million after taxes, reflecting a year over year increase of 27.1%.

Dividends: Reflecting our strong financial health, the Board of Directors approved an increased dividend of $60 per share, which translates to 30.8% of our net profits.

Our unwavering focus remains on delivering exceptional service to our clients while pursuing prudent risk management practices. This year, we further enhanced our digital banking platforms, offering more innovative and convenient banking solutions to meet the evolving needs of our clients. We also expanded our presence in strategic markets, aiming to reach more customers and provide them with personalized banking experiences.

(Continued)

Looking Ahead:

As we step into 2024, we are mindful of the uncertainties that lie ahead. However, our conservative approach to banking, positions us well to navigate future challenges. We remain committed to capitalizing on new opportunities for growth, enhancing shareholder value, and upholding the high standards of service and integrity that have defined Interaudi Bank for over four decades.

In closing, I extend my heartfelt gratitude to our Board of Directors, our dedicated team, and most importantly, our valued clients and shareholders. Your trust, support, and partnership fuel our progress and inspire us to reach new heights.

Warm regards,

Joseph G. Audi
Chairman

Board of Directors

CHAIRMAN
Joseph G. Audi

George Audi
CEO, Interaudi Bank
President, Ameraudi Asset Management, Inc.

Richard Burns
General Partner, Blackhall Ventures
Chairman, Intelligent Security Solutions (ISS)

Raymond Debbane
Founder & CEO, The Invus Group

Patricia Hayes Cole
Executive Managing Director,
Corcoran Sunshine Marketing Group

Wael Khoury
Chairman
ACWa Services Ltd

Louis E. Lataif
Dean Emeritus, Questrom School of Business,
Boston University
Former President, Ford of Europe

Diane Nobile
Attorney at Law
Former Director, Citigroup
Former Sr. Vice President, Bank of America

Andrew Panzures
Former Managing Director, JP Morgan

Demir Sabanci
President, Sedesco Inc.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Interaudi Bank
New York, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Interaudi Bank and Subsidiaries (the "Bank"), which comprise the consolidated statements of financial condition as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2023 and 2022, 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.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Bank's internal control over financial reporting as of December 31, 2023, based on criteria established in the *Internal Control—Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and our report dated February 29, 2024 expressed an unmodified opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Bank has changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments – Credit Losses (ASC 326). The Bank adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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 the Bank 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.

(Continued)

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 the Bank'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.
- 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 the Bank'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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Crowe LLP

Crowe LLP

Livingston, New Jersey
February 29, 2024

INTERAUDI BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents		
Cash and due from banks	$ 312,961,516	$ 403,768,314
Interest-bearing deposits with banks	41,300,997	151,869,085
Total cash and cash equivalents	354,262,513	555,637,399
Time deposits and placement with banks	220,000	25,220,000
Investment securities		
Available-for-sale, at fair value (amortized cost $224,959,063), net of allowance for credit losses of $0 at December 31, 2023	220,947,574	284,163,792
Held-to-maturity (fair value of $379,347,722 in 2023 and $373,084,090 in 2022), net of allowance for credit losses of $0 at December 31, 2023	393,462,253	395,831,801
Total investment securities	614,409,827	679,995,593
Equity securities (at fair value)	961,281	919,036
Total cash and cash equivalents, time deposits and placement with banks, investment securities and equity securities	969,853,621	1,261,772,028
Loans, net of allowance for credit losses of $8,595,095 and $8,814,575, respectively	1,256,625,581	1,164,285,425
Bank premises and equipment, net	4,519,569	5,668,914
Accrued interest receivable	7,701,077	7,222,988
Other assets	46,165,621	46,053,222
Total assets	$ 2,284,865,469	$ 2,485,002,577
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Demand	$ 848,537,672	$ 1,145,466,479
Savings	103,236,133	130,302,566
Time	982,996,234	888,140,078
Total deposits	1,934,770,039	2,163,909,123
Borrowings		
Borrowings from Federal Home Loan Bank (FHLB)	85,300,000	85,900,000
Total borrowings	85,300,000	85,900,000
Other liabilities and accrued expenses	37,188,983	32,233,762
Total liabilities	2,057,259,022	2,282,042,885
Shareholders' equity		
Common stock, $25 par value		
Authorized 165,000 shares in 2023 and 2022 and outstanding 162,600 shares in 2023 and 2022	4,065,000	4,065,000
Additional paid-in capital	19,250,584	19,250,584
Retained earnings	207,521,370	184,745,877
Accumulated other comprehensive income (loss)	(3,230,507)	(5,101,769)
Total shareholders' equity	227,606,447	202,959,692
Total liabilities and shareholders' equity	$ 2,284,865,469	$ 2,485,002,577

See accompanying notes to consolidated financial statements.

INTERAUDI BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2023 and 2022

	2023	2022
Interest and dividend income		
Loans, including fees	$ 68,717,456	$ 50,254,118
Securities and other investments	22,772,680	11,886,424
Interest-bearing deposits with banks	14,675,731	10,054,680
Total interest and dividend income	106,165,867	72,195,222
Interest expense		
Deposits	34,238,665	11,351,656
Borrowings	1,801,416	2,891,168
Total interest expense	36,040,081	14,242,824
Net interest income	70,125,786	57,952,398
Provision for credit losses	860,000	1,673,000
Net interest income after provision for credit losses	69,265,786	56,279,398
Non-interest income		
Investment management fees	7,120,868	6,165,925
Commissions, fees, and other income	4,963,545	4,270,431
Foreign exchange gains, net	1,422,637	1,346,325
Other income	252,011	184,755
Total non-interest income	13,759,061	11,967,436
Non-interest expense		
Salaries and employee benefits	27,382,718	23,397,025
Occupancy expenses	1,973,486	1,900,313
Depreciation and amortization	1,315,735	1,376,036
FDIC insurance premium	1,009,000	784,123
General and administrative	7,712,415	6,469,210
Total non-interest expense	39,393,354	33,926,707
Income before income tax provision	43,631,493	34,320,127
Income tax provision	11,913,000	9,365,000
Net income	$ 31,718,493	$ 24,955,127

See accompanying notes to consolidated financial statements.

INTERAUDI BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2023 and 2022

	2023	2022
Net income	$ 31,718,493	$ 24,955,127
Other comprehensive loss:		
Unrealized gains (losses) on securities/derivatives:		
Unrealized holding gains (losses) arising during the period	3,193,993	(8,680,276)
Fair value adjustments on derivatives	(477,303)	-
Tax effect	(845,428)	2,551,171
Other comprehensive income (loss), net of tax	1,871,262	(6,129,105)
Total comprehensive income	$ 33,589,755	$ 18,826,022

See accompanying notes to consolidated financial statements.

INTERAUDI BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2023 and 2022

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2022	$ 4,065,000	$ 19,250,584	$ 165,156,550	$ 1,027,336	$ 189,499,470
Net income	-	-	24,955,127	-	24,955,127
Other comprehensive loss	-	-	-	(6,129,105)	(6,129,105)
Cash dividends declared and paid	-	-	(5,365,800)	-	(5,365,800)
Balance at December 31, 2022	$ 4,065,000	$ 19,250,584	$ 184,745,877	$ (5,101,769)	$ 202,959,692
Net income	-	-	31,718,493	-	31,718,493
Other comprehensive income	-	-	-	1,871,262	1,871,262
Cash dividends declared and paid	-	-	(8,943,000)	-	(8,943,000)
Balance at December 31, 2023	$ 4,065,000	$ 19,250,584	$ 207,521,370	$ (3,230,507)	$ 227,606,447

See accompanying notes to consolidated financial statements.

INTERAUDI BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income	$ 31,718,493	$ 24,955,127
Adjustments to reconcile net income to net cash provided by operating activities		
Net amortization of discount on securities	(529,006)	(616,921)
Amortization of loan fees	(1,467,441)	(1,668,142)
Deferred income tax expense	23,944	239,583
Depreciation and amortization	1,315,735	1,376,036
Provision for credit losses	860,000	1,673,000
Increase in accrued interest receivable	(478,089)	(3,906,956)
Increase in other, net	2,775,444	2,824,739
Net cash provided by operating activities	34,219,080	24,876,466
Cash flows from investing activities		
Decrease in time deposit and placements with banks	25,000,000	100,000,000
Purchases of available-for-sale securities	-	(84,930,496)
Purchases of held-to-maturity securities	-	(248,668,360)
Net change in equity securities	(42,245)	(14,058)
Proceeds from sales, maturities, and prepayments of available-for-sale securities	66,853,318	58,695,806
Proceeds from calls, maturities, and prepayments of held-to-maturity securities	2,455,403	5,035,599
Net increase in loans	(91,011,968)	(144,322,705)
Purchases of premises and equipment	(166,390)	(1,249,327)
Net cash provided by (used in) investing activities	3,088,118	(315,453,541)
Cash flows from financing activities		
Net increase (decrease) in deposits	(229,139,084)	79,664,505
Proceeds from long-term borrowings from FHLB	70,300,000	-
Repayments of long-term borrowings from FHLB	(70,900,000)	(32,100,000)
Dividends paid	(8,943,000)	(5,365,800)
Net cash provided by (used in) financing activities	(238,682,084)	42,198,705
Net decrease in cash and cash equivalents	(201,374,886)	(248,378,370)
Cash and cash equivalents at beginning of year	555,637,399	804,015,769
Cash and cash equivalents at end of year	$ 354,262,513	$ 555,637,399
Supplemental disclosure of cash flow information		
Cash paid for during the year:		
Interest paid during the year	$ 31,748,529	$ 12,469,987
Income taxes paid during the year	12,521,878	8,477,684
Supplemental disclosure of non-cash flow information		
Lease liabilities arising from obtaining right-of-use assets	$ 70,439	$ 26,595,890
Real estate acquired in settlement of loans	$ 190,833	$ -

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION

Interaudi Bank and Subsidiaries (the Bank) was established June 6, 1983, as a commercial bank chartered by the State of New York. The Bank is a member of the Federal Deposit Insurance Corporation (FDIC) and provides full banking facilities to domestic and foreign clients. The Bank is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements include the accounts of the Bank and its wholly owned subsidiaries after elimination of all significant intercompany transactions and balances.

The Bank provides financial services through its offices in New York City, New York and Miami, Florida, including asset management services provided through its wholly owned subsidiary, Ameraudi Asset Management Inc. Its primary deposit products are checking, savings, and time deposit accounts, and its primary lending products are residential mortgages, commercial real estate and construction loans. Substantially all loans are secured by specific items of collateral including business assets and commercial and residential real estate. There are no significant concentrations of loans to any one industry or customer; however, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area. Ameraudi Asset Management Inc., a wholly owned subsidiary of the Bank, provides asset management services.

Use of Estimates: The preparation of the consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: The Bank has evaluated subsequent events for recognition and disclosure through February 29, 2024, which is the date the financial statements were available to be issued.

Cash and Cash Equivalents: For purposes of the consolidated financial statements, the Bank has defined cash and cash equivalents as cash and due from banks, interest-bearing deposits with banks, which have an original maturity of 90 days or less from the time of purchase, and Federal funds sold. Net cash flows are reported for customer loan and deposit transactions, short term time deposits and placements with banks, interest bearing deposits with banks and repurchase agreements.

Time Deposits and Placement with Banks: From time to time, the Bank enters into certificate of deposit transactions and placements with banks, which mature beyond 90 days. These deposits are carried at cost.

Adoption of New Accounting Standards: On January 1, 2023, the Bank adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including 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).

The Bank adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. There was no adjustment as of January 1, 2023 for the cumulative effect of adopting ASC 326 including tax impact.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities: Management determines the appropriate classification of securities at the time of purchase. Securities that management has the positive intent and ability to hold until maturity are classified as held-to-maturity securities. Such securities are reported at amortized cost. Securities not classified as held-to-maturity are classified as available-for-sale and are used as part of the Bank's asset and liability management, and may be sold in response to changes in interest rates, prepayments, and other factors. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of other comprehensive income (loss) in shareholders' equity.

The amortized cost of securities classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Premiums and discounts are amortized or accreted on a straight-line basis, which approximates the effective interest method. Such amortization is included in interest income on investment securities.

Effective January 1, 2023, the Bank adopted the provisions of ASC 326 and modified its accounting policy for the assessment of available for sale debt securities for impairment. The Bank has made an accounting policy election to exclude accrued interest from the amortized cost basis of debt securities. The Bank also excludes accrued interest from the estimate of credit losses on debt securities.

A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a debt security placed on nonaccrual is reversed against interest income. There were no debt securities on nonaccrual status as of December 31, 2023 and December 31, 2022 and, therefore there was no accrued interest related to debt securities reversed against interest income for 2023 and 2022.

For available for sale debt securities in an unrealized loss position, management first assesses whether the Bank intends to sell, or if it is likely that the Bank will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through a provision for credit losses charge to earnings. For debt securities available for sale that do not meet either of these criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers both quantitative and qualitative factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of tax. The Bank elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

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

Prior to January 1, 2023, the accounting policy on the assessment of available for sale securities for impairment was based on an other-than-temporary assessment ("OTTI"). For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the income statement and (2) OTTI related to other factors, which is recognized in other comprehensive income (loss). The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under ASC 326, management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on held-to-maturity debt securities are excluded from the estimate of credit losses. The Bank elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

Gains and losses on the disposition of available-for-sale securities are recognized using the specific-identification method in the period in which they occur.

<u>Equity Securities</u>: Equity securities with readily determinable fair values are measured at fair value with changes in fair value recognized in other non-interest income within the consolidated statements of income.

<u>Loans and Allowance for Credit Losses</u>: Loans are stated at the principal balance outstanding, net of unearned fee income and allowance for credit losses. Interest on loans is accrued based on the principal balance outstanding. Loans are considered past due when either interest or principal is unpaid as of the contractual due date. Loans are placed on non-accrual status when full collection of principal is uncertain or when interest and principal payments are 90 days past due unless the loan is both well secured and in the process of collection, or the loan is secured by a 1-to-4 family residential property. When interest accrual is discontinued, all unpaid accrued interest is reversed, unless the loan is well secured and has realizable value sufficient to discharge the loan debt including accrued interest. Interest income is subsequently recognized only to the extent cash payments are received. Loans are returned to accrual status when loans become current as to principal and interest and have demonstrated a sustained ability to make loan payments in accordance with contractual terms of the loan.

All interest accrued but not received for loans placed on nonaccrual are reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The allowance for credit losses ("ACL") on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The ACL on loans is increased through a provision for credit losses recognized in the Consolidated Statements of Income and by recoveries of amounts previously charged-off. The ACL on loans is reduced by charge-offs on loans. Loan charge-offs are recognized when management believes the collectability of the principal balance outstanding is unlikely. Full or partial charge-offs on collateral dependent individually analyzed loans are generally recognized when the collateral is deemed to be insufficient to support the carrying value of the loan.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The historical loss experience is determined by portfolio segment and the Bank uses the weighted average remaining maturity (WARM) methodology to estimate credit losses over the expected life of the loan. This actual loss experience is adjusted by other qualitative factors based on the risks present for each portfolio segment. These qualitative factors include consideration of the following: levels of and trends in delinquencies and individually analyzed 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 staffing and experience; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Pooled loan portfolio segments include bank/government guarantees or cash deposit, commercial real estate and construction loans, residential mortgages, marketable securities, other collateral and unsecured loans. The risk characteristics of each of the identified portfolio segments are as follows:

Bank/Government Guarantees or Cash Deposit: Pledged deposit or paycheck protection program (PPP) loans represent a minimal risk of loss as they are collateralized by either cash at the Bank, a letter of credit from another financial institution or government guarantee. The Bank generally has an unconditional right of offset for any delinquencies.

Commercial Real Estate and Construction Loans: Commercial real estate loans are secured by multi-family and nonresidential real estate and generally have larger balances and involve a greater degree of risk than residential real estate loans. Commercial real estate loans depend on the global cash flow analysis of the borrower and the net operating income of the property, the borrower's expertise, credit history and profitability, and the value of the underlying property. Commercial real estate is also subject to adverse market conditions that cause a decrease in market value or lease rates, obsolescence in location or function and market conditions associated with oversupply of units in a specific region. Construction loans represent an increased risk as the property does not have a use or potential cash flow during this time. Bank involvement from the beginning of the loan to completion of the construction is vital. Construction loans are generally controlled through controlled draws upon percentage of completion verified by an independent party.

Residential Mortgages: Residential real estate loans are generally made on the basis of the borrower's ability to make repayment from his or her employment income or other income, and which are secured by real property whose value tends to be more easily ascertainable. Repayment of residential real estate loans is subject to adverse employment conditions in the local economy leading to increased default rate and decreased market values from oversupply in a geographic area. In general, residential real estate loans depend on the borrower's continuing financial stability and, therefore, are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Marketable Securities: Loans secured by marketable securities represents a low credit risk and are controlled by daily mark-to-market of the collateral and a right to liquidate the collateral under certain conditions.

Other Collateral: Loans secured by other collateral such as receivables, inventory, art and partnership interests.

Unsecured Loans: Unsecured loans are generally made on the basis of the borrower's ability to make repayment from his or her employment income or other income.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. For loans that are individually analyzed, the ACL is measured using a discounted cash flow method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or, if the loan is collateral dependent, at the fair value of the collateral. Factors management considers when measuring the extent of expected credit loss include payment status, collateral value, borrower financial condition, guarantor support and the probability of collecting scheduled principal and interest payments when due. For collateral dependent loans for which repayment is to be provided substantially through the sale of the collateral, management adjusts the fair value for estimated costs to sell. For collateral dependent loans for which repayment is to be provided substantially through the operation of the collateral, estimated costs to sell are not incorporated into the measurement. Management may also adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values for unobservable factors resulting from its knowledge of circumstances associated with the collateral.

The Bank has made an accounting policy election to exclude accrued interest from the amortized cost basis of loans and the Bank also excludes accrued interest from the estimate of credit losses on loans.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to January 1, 2023, the allowance for loan losses was based on a probable incurred loss methodology and represented management's estimate of the risk of loan inherent in the loan portfolio. Management estimated the allowance balance using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors.

The allowance consisted of specific and general components. The specific component relates to loans that are individually classified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans classified as substandard or below by the Bank's internal risk-rating system 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 loan's existing rate or at the fair value of collateral if repayment is expected solely from the sale or operation of collateral.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Bank over the most recent seven years. This actual loss experience 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.

Loan Fees: Loan fees are deferred and accreted to interest income over the lives of the loans using the straight-line method, which is not materially different from using the effective interest rate method.

Other Real Estate Owned ("OREO"): Assets acquired through or deed in lieu of foreclosure are initially recorded at the fair value less estimated selling costs when acquired, establishing a new cost basis. Operating costs after acquisition are included in other expenses in the consolidated statements of income. Permanent improvements made to OREO that increase the property's value are eligible for capitalization to the cost of OREO. There was $190,833 other real estate owned as of December 31, 2023. The Bank did not have any OREO at December 31, 2022. OREO is included in other assets on the consolidated statements of financial condition.

Bank Premises and Equipment: Bank premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis and are charged to non-interest expense over the estimated useful lives of the assets. Building and leasehold improvements are amortized over the estimated useful life of the improvement or the lease term, whichever is shorter. Furniture and equipment are amortized over three to five years. Maintenance and repairs are charged to general and administrative expense as incurred.

Lease Commitment: Leases are classified as operating leases or finance leases at the lease commencement date. The Bank leases certain locations and equipment. The Bank records leases on the consolidated statements of financial condition in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon risk free rates as of the date of adoption, commencement or renewal.

The right-of-use asset and right-of-use liability are respectively included in other assets and other liabilities on the Bank's consolidated statements of financial condition.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and general and administrative expense on the Bank's consolidated statements of income.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees are recorded at fair value at inception.

Allowance for Credit Losses on Unfunded Commitments: The Bank adopted the provisions of ASC 326 effective January 1, 2023 and modified its accounting policy for the ACL on unfunded commitments. The ACL on unfunded commitments is management's estimate of expected credit losses over the expected contractual term (or life) in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bank. Unfunded commitments for home equity lines of credit and commercial demand loans are considered unconditionally cancellable for regulatory capital purposes and, therefore, are excluded from the calculation to estimate the ACL on unfunded commitments. For each portfolio, estimated loss rates and funding factors are applied to the corresponding balance of unfunded commitments. For each portfolio, the estimated loss rates applied to unfunded commitments are the same quantitative and qualitative loss rates applied to the corresponding on-balance sheet amounts in determining the ACL on loans. The estimated funding factor applied to unfunded commitments represents the likelihood that the funding will occur and is based upon the Bank's average historical utilization rate for each portfolio.

The ACL on unfunded commitments is included in other liabilities in the Consolidated Statements of Financial Condition. The ACL on unfunded commitments is adjusted through a provision for credit losses recognized in the Consolidated Statements of Income.

Foreign Exchange: Monetary assets and liabilities denominated in foreign currencies and foreign exchange forward contracts are revalued monthly at current rates of exchange. Revenues and expenses in foreign currency are translated at the spot rate at transaction date.

Interest Rate Swaps: The Bank utilizes derivative instruments in the form of interest rate swaps to hedge its exposure to interest rate risk in conjunction with its overall asset/liability management process. At the inception of an interest rate swaps contract, the Bank designates the contract as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability. Fair value of the cash flow hedges is recognized as either assets or liabilities in the Consolidated Statements of Financial Condition. For a cash flow hedge, the gain or loss on the contract is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings.

Cash flow hedge instruments qualify for hedge accounting treatment only if they are designated as such on the date on which the derivative contract is entered and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Bank to risk. Those derivative financial instruments that do not meet the hedging criteria discussed below would be classified as undesignated derivatives and would be recorded at fair value with changes in fair value recorded in income.

The Bank discontinues hedge accounting when (a) it determines that a derivative is no longer effective in offsetting changes in cash flows of a hedged item; (b) the derivative expires or is sold, terminated or exercised; (c) probability exists that the forecasted transaction will no longer occur; or (d) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all cases in which hedge accounting is discontinued and a derivative remains outstanding, the Bank will carry the derivative at fair value in the Consolidated Financial Statements, recognizing changes in fair value in current period income in the consolidated statement of income.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the applicable accounting guidance, the Bank takes into account the impact of collateral and master netting agreements that allow it to settle all derivative contracts held with a single counterparty on a net basis, and to offset the net derivative position with the related collateral when recognizing derivative assets and liabilities. As a result, the Bank's Statements of Financial Condition could reflect derivative contracts with negative fair values included in derivative assets, and contracts with positive fair values included in derivative liabilities.

Accrued settlements on interest rate swaps that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged.

Investment Management Fees: Ameraudi Asset Management Inc., wholly owned subsidiary of the Bank, earns investment management fees from its contracts with clients to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time and charged on monthly or quarterly basis in accordance with executed agreements. Fees are generally based on a tiered scale of the market value of assets under management at period end. Fees that are transaction based, are recognized at the time the transaction is executed.

Income Taxes: Deferred tax assets or liabilities are recognized for the estimated future tax effects attributable to temporary differences and carryforwards. A temporary difference is the difference between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. A valuation allowance, if any, is recorded to reduce deferred tax assets to an amount that "more likely than not" will be realized. Deferred tax assets and liabilities are determined at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Bank recognizes the financial statement effects of a tax position when it is "more likely than not" based on the technical merits, that the position will be sustained upon examination. 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. Interest related to income taxes if any, is included in income tax expense while tax penalties are included in other expenses in the consolidated statements of income.

Fair Value Measurement: The Bank uses fair value measurement on certain financial instruments. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date (i.e., the exit price). When determining the fair value for assets and liabilities carried at fair value, the Bank considers the principal or most advantageous market in which it would transact and uses assumptions that market participants would use when pricing the asset or liability. The assets and liabilities measured at fair value are available-for-sale securities, interest rate swaps, and foreign exchange forward contracts.

The Bank's measurement of fair values is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon either using broker or dealer quotes or internally developed models that use primarily independently-sourced market parameters, including interest rate yield curves and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality and the Bank's creditworthiness that are applied consistently over time. 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 and changes in assumptions in market conditions could significantly affect these estimates.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank also utilizes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

> *Level l:* Quoted market prices for identical instruments in active markets.
>
> *Level 2:* Quoted prices for similar instruments in active markets; quoted prices for identical or similar products in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
>
> *Level 3:* Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable.

<u>Comprehensive Income</u>: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains (losses) on securities available-for-sale and fair value adjustments on derivatives which are also recognized as separate components of equity.

<u>Loss Contingencies</u>: 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.

<u>Dividend Restriction</u>: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to shareholders.

(Continued)

NOTE 3 – INVESTMENT SECURITIES

The carrying values of available-for-sale and held-to-maturity securities, gross unrealized gains, gross unrealized losses, and fair value at December 31, 2023 and 2022, were:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Allowance for Credit Losses
2023					
Available-for-sale securities					
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	$ 154,815,350	$ 3,485	$ (3,013,779)	$ 151,805,055	$ -
U.S. Treasury and government agencies obligations	59,921,563	-	(822,163)	59,099,400	-
Asset-backed securities	3,211,844	-	(24,346)	3,187,499	-
Corporate and other securities	7,010,306	-	(154,686)	6,855,620	-
	224,959,063	3,485	(4,014,974)	220,947,574	-
Held-to-maturity securities					
U.S. treasury and government agencies obligations	363,814,880	-	(12,114,260)	351,700,620	-
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	29,647,373	-	(2,000,271)	27,647,102	-
	393,462,253	-	(14,114,531)	379,347,722	-
	$ 618,421,316	$ 3,485	$ (18,129,505)	$ 600,295,296	$ -
2022					
Available-for-sale securities					
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	$ 183,293,708	$ 4,468	$ (4,253,501)	$ 179,044,675	
U.S. Treasury and government agencies obligations	84,467,260	-	(2,041,211)	82,426,049	
Asset-backed securities	15,586,615	-	(517,527)	15,069,088	
Corporate and other securities	8,021,646	-	(397,666)	7,623,980	
	291,369,229	4,468	(7,209,950)	284,163,792	
Held-to-maturity securities					
U.S. treasury and government agencies obligations	363,738,435	-	(20,516,331)	343,222,104	
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	32,093,366	-	(2,231,380)	29,861,986	
	395,831,801	-	(22,747,711)	373,084,090	
	$ 687,201,030	$ 4,468	$ (29,957,616)	$ 657,247,882	

At December 31, 2023, there was no security pledged with Federal Home Loan Bank of New York, and at December 31, 2022, mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities, with a fair value of $817,335, were pledged with Federal Home Loan Bank of New York.

(Continued)

NOTE 3 – INVESTMENT SECURITIES (Continued)

The following table summarizes securities with unrealized losses at December 31, 2023 and 2022, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2023						
Available-for-sale						
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	$ 8,566,778	$ (10,818)	$ 142,584,462	$ (3,002,961)	$ 151,151,240	$ (3,013,779)
U.S. Treasury and government sponsored entity obligations	-	-	59,099,400	(822,163)	59,099,400	(822,163)
Asset-backed securities	-	-	3,187,499	(24,346)	3,187,499	(24,346)
Corporate and other securities	-	-	6,855,620	(154,686)	6,855,620	(154,686)
	8,566,778	(10,818)	211,726,980	(4,004,157)	220,293,759	(4,014,974)
Held-to-maturity						
U.S. treasury and government agencies obligations	$ -	$ -	$ 351,700,620	$ (12,114,260)	$ 351,700,620	$ (12,114,260)
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	-	-	27,647,102	(2,000,271)	27,647,102	(2,000,271)
	-	-	379,347,722	(14,114,531)	379,347,722	(14,114,531)
	$ 8,566,778	(10,818)	591,074,702	(18,118,687)	599,641,481	(18,129,505)
2022						
Available-for-sale						
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	$ 177,944,205	$ 4,253,501	$ -	$ -	$ 177,944,205	$ 4,253,501
U.S. Treasury and government sponsored entity obligations	82,426,050	2,041,211	-	-	82,426,050	2,041,211
Asset-backed securities	-	-	15,069,088	517,527	15,069,088	517,527
Corporate and other securities	1,932,650	67,350	5,691,330	330,316	7,623,980	397,666
	262,302,905	6,362,062	20,760,418	847,843	283,063,323	7,209,905
Held-to-maturity						
U.S. treasury and government agencies obligations	$ 216,222,654	$ 7,597,157	$ 126,999,450	$ 12,919,174	$ 343,222,104	$ 20,516,331
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	22,440,095	176,146	7,421,891	2,055,234	29,861,986	2,231,380
	238,662,749	7,773,303	134,421,341	14,974,408	373,084,090	22,747,711
	$ 500,965,654	14,135,365	155,181,759	15,822,251	656,147,413	29,957,616

(Continued)

NOTE 3 – INVESTMENT SECURITIES (Continued)

Available for sale securities are evaluated to determine if a decline in fair value below the amortized cost basis has resulted from a credit loss or from other factors. An impairment related to credit factors would be recorded through an allowance for credit losses. The allowance is limited to the amount by which the security's amortized cost basis exceeds the fair value. An impairment that has not been recorded through an allowance for credit losses shall be recorded through other comprehensive income (loss), net of applicable taxes. Investment securities will be written down to fair value through the Consolidated Statement of Income if management intends to sell, or may be required to sell, the securities before they recover in value. The issuers of these securities continue to make timely principal and interest payments and none of these securities were past due or were placed in nonaccrual status at December 31, 2023. Management believes that the unrealized losses on these securities are a function of changes in market interest rates, widening credit spreads and delay of cash flow on certain asset backed securities guaranteed by the Federal Family Education Loan Program (FFELP) student loans. No allowance for credit losses was recorded at December 31, 2023 on available for sale securities.

At December 31, 2023, the held to maturity securities portfolio consisted of agency securities. Agency securities are issued by U.S. government agencies and are implicitly guaranteed by the U.S. government and have a long history of no credit losses. No allowance for credit losses was recorded at December 31, 2023 on held to maturity securities.

The amortized cost and fair value of available-for-sale and held-to-maturity securities by contractual maturity at December 31, 2023, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Available-for-sale securities		
Due in one year or less	$ 29,977,878	$ 29,817,900
Due after one year through five years	36,953,991	36,137,120
Government guaranteed mortgage-backed securities	536,534	523,809
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored entities	154,278,816	151,281,246
Asset-backed securities	3,211,844	3,187,499
	224,959,063	220,947,574

	Amortized Cost	Fair Value
Held-to-maturity securities		
Due in one year or less	$ 114,993,820	$ 114,003,500
Due after one year through five years	238,821,060	229,058,520
Due after five year through ten years	10,000,000	8,638,600
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored entities	29,647,373	27,647,102
	393,462,253	379,347,722
	$ 618,421,316	$ 600,295,296

NOTE 3 – INVESTMENT SECURITIES (Continued)

The proceeds from sales and calls of securities and the associated gains and losses are listed below:

	2023	2022
Proceeds		
Calls	$ -	$ 5,000,000
Sales	-	-
Gross gains	-	-
Gross losses	-	-
Tax impact on net securities gains	-	-

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

The composition of the loan portfolio by type of collateral held as of December 31, 2023 and 2022 was as follows:

	2023		2022	
	Amount	Percentage	Amount	Percentage
Loans				
Commercial real estate and construction loans	$ 504,313,545	39.7%	$ 484,178,472	41.4%
Residential mortgages	553,816,952	43.7	476,904,553	40.6
Bank/Government guarantees (1) or cash deposits	114,866,230	9.1	119,789,994	10.2
Other collateral	49,964,203	3.9	46,063,472	3.9
Marketable securities	36,361,514	2.9	44,115,855	3.7
Unsecured loans	9,414,042	0.7	5,579,912	0.5
	1,268,736,486	100.0%	1,176,632,258	100.0%
Net deferred loan fees	(3,515,810)		(3,532,258)	
Allowance for credit losses	(8,595,095)		(8,814,575)	
Loans, net	$ 1,256,625,581		$ 1,164,285,425	

(1) Includes Paycheck Protection Program ("PPP") loans of $465,992 as of December 31, 2022.

Below is an analysis of the age of loans by class that are past due as of December 31, 2023 and 2022. The recorded investment in loans excludes accrued interest receivable and loan origination fees due to immateriality.

	2023	2022
Loans past due 90 days or more		
Residential mortgages	$ 13,682,783	$ 11,285,294
	$ 13,682,783	$ 11,285,294

Loans are generally placed on nonaccrual status when contractual payments become 90 or more days past due or when the Bank does not expect to receive all principal and interest (*P&I) payment owed substantially in accordance with the terms of the loan agreement, regardless of past due status. Loans that become 90 days past due, but are well secured and in the process of collection, may remain on accrual status. Nonaccrual loans are generally returned to accrual status when all payments due are brought current and the Company expects to receive all remaining P&I payments owed substantially in accordance with the terms of the loan agreement. Payments received in cash on nonaccrual loans, including both the principal and interest portions of those payments, are generally applied to reduce the carrying value of the loan. The Bank did not recognize interest income on non-accrual loans during the years ended December 31, 2023 and 2022.

There were no loans 30 to 89 days past due as of December 31, 2023 and 2022.

Closed-end installment loans, amortizing loans secured by real estate and any other loans with payments scheduled monthly are reported as past due when the borrower is in arrears two or more monthly payments.

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Loans past due on non-accrual status by type were as follows:

	2023	2022
Residential mortgages	$ 13,682,783	$ 11,285,294
	$ 13,682,783	$ 11,285,294

As of December 31, 2023 and 2022, no loan was past due 90 days or more and still accruing.

The following table presents information relating to the Bank's nonaccrual loans as of December 31, 2023:

	Nonaccrual loans with Allowance for Credit Losses	Nonaccrual loans with no Allowance for Credit Losses
Residential mortgages	$ 1,912,520	$ 11,770,263
	$ 1,912,520	$ 11,770,263

A loan is considered to be in default once it is 90 days contractually past due under the modified terms. 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 Bank's internal underwriting policy.

Effective January 1, 2023, the Bank adopted ASU 2022-02, which eliminated the accounting for Troubled Debt Restructurings (TDRs) while expanding loan modification and vintage disclosure requirements. Occasionally, the Bank modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Bank provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. During the year ended December 31, 2023 the Bank did not modify any loans to borrowers experiencing financial difficulty.

Prior to the adoption of ASU 2022-02, the Bank classified certain loans as TDRs when credit terms to a borrower in financial difficulty were modified, in accordance with ASC 310-40. As of December 31, 2022, there were no trouble debt restructured loans.

All loans are monitored by internally assigned grades used for classification of loans. A loan is considered "special mention" if it possesses credit weaknesses creating more than normal risk, and should have the careful attention of management. A loan is considered "substandard" if it involves more than a normal risk due to the financial condition or unfavorable record of the borrower, insufficiency of security, or other factors. "Substandard" loans generally are characterized by a weakness that creates a distinct possibility that the Bank will sustain a loss if not corrected. A loan is classified as "doubtful" if a substantial loss is probable, but not as yet definitely ascertainable in amount. All others loan that do not fall into the above-mentioned categories are considered "pass" loans. Updates to internally assigned grades are made regularly and/or upon significant developments.

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

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

	2023	2022	2021	2020	2019	Prior	Total
Commercial Real Estate and Construction Loans							
Pass	$ 33,839,723	$ 173,300,616	$ 115,353,026	$ 64,353,816	$ 35,662,493	$ 81,803,871	$ 504,313,545
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
	33,839,723	173,300,616	115,353,026	64,353,816	35,662,493	81,803,871	504,313,545
Residential Mortgages							
Pass	$ 123,031,888	$ 131,388,119	$ 113,058,091	$ 62,758,847	$ 41,834,342	$ 67,375,211	$ 539,446,498
Special mention	-	-	-	-	-	-	-
Substandard	1,070,788	5,809,253	687,670	4,776,863	1,912,520	113,360	14,370,454
Doubtful	-	-	-	-	-	-	-
	124,102,676	137,197,372	113,745,761	67,535,710	43,746,862	67,488,571	553,816,952
Cash Deposit							
Pass	$ 41,540,909	$ 46,544,670	$ 2,954,162	$ 12,179,176	$ 10,806,759	$ 840,554	$ 114,866,230
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
	41,540,909	46,544,670	2,954,162	12,179,176	10,806,759	840,554	114,866,230
Marketable Securities							
Pass	$ 7,941,832	$ 11,269,147	$ 7,909,162	$ 632,693	$ 2,589,926	$ 6,018,754	$ 36,361,514
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
	7,941,832	11,269,147	7,909,162	632,693	2,589,926	6,018,754	36,361,514
Other Collateral							
Pass	$ 46,943,082	$ 3,000,000	$ -	$ -	$ 21,121	$ -	$ 49,964,203
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
	46,943,082	3,000,000	-	-	-	-	49,964,203
Unsecured							
Pass	$ 9,118,937	$ 256,811	$ 4,845	$ 30,700	$ 2,749	$ -	$ 9,414,042
Special mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
	9,118,937	256,811	4,845	30,700	2,749	-	9,414,042
Total	$ 263,487,159	$ 371,568,616	$ 239,966,956	$ 144,732,095	$ 92,829,910	$ 156,151,750	$ 1,268,736,486

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents credit risk profile by class as of December 31, 2022:

	Commercial Real Estate and Construction Loans	Residential Mortgages	Bank/ Government Guarantees or Cash Deposits	Marketable Securities	Other Collateral	Unsecured Loans	Total
2022							
Grade							
Pass	$ 484,178,472	$ 462,445,556	$ 119,789,994	$ 44,115,855	$ 46,063,472	$ 5,579,912	$ 1,162,173,261
Special mention	-	-	-	-	-	-	-
Substandard	-	14,458,997	-	-	-	-	14,458,997
Doubtful	-	-	-	-	-	-	-
	$ 484,178,472	$ 476,904,553	$ 119,789,994	$ 44,115,855	$ 46,063,472	$ 5,579,912	$ 1,176,632,258

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table details the amount of gross loans that are individually evaluated for impairment, collectively evaluated for impairment, and the related portion of allowance for credit losses on loans that are allocated each loan portfolio segment.

	Commercial Real Estate and Construction Loans	Residential Mortgages	Bank/ Government Guarantees or Cash Deposits	Marketable Securities	Other Collateral	Unsecured Loans	Unallocated Reserve	Total
2023								
Allowance for credit losses - loans								
Allowance balance attributable to loans:								
Individually evaluated for impairment	$ -	$ 560,525	$ -	$ -	$ -	$ -		$ 560,525
Collectively evaluated for impairment	3,502,706	3,380,568	53,230	342,998	672,314	82,754		8,034,570
Allowance balance at December 31, 2023	$ 3,502,706	$ 3,941,093	$ 53,230	$ 342,998	$ 672,314	$ 82,754		$ 8,595,095
Loans								
Individually evaluated for impairment	$ -	$ 14,370,454	$ -	$ -	$ -	$ -		$ 14,370,454
Collectively evaluated for impairment	504,313,545	539,446,498	114,866,230	36,361,514	49,964,203	9,414,042		1,254,366,032
Total loan balance at December 31, 2023	$ 504,313,545	$ 553,816,952	$ 114,866,230	$ 36,361,514	$ 49,964,203	$ 9,414,042		$ 1,268,736,486
2022								
Allowance for credit losses - loans								
Allowance balance attributable to loans:								
Individually evaluated for impairment	$ -	$ 373,750	$ -	$ -	$ -	$ -	$ -	$ 373,750
Collectively evaluated for impairment	3,671,664	3,488,230	47,970	488,821	542,721	150,623	50,796	8,440,825
Allowance balance at December 31, 2022	$ 3,671,664	$ 3,861,980	$ 47,970	$ 488,821	$ 542,721	$ 150,623	$ 50,796	$ 8,814,575
Loans								
Individually evaluated for impairment	$ -	$ 14,458,997	$ -	$ -	$ -	$ -		$ 14,458,997
Collectively evaluated for impairment	484,178,472	462,445,556	119,789,994	44,115,855	46,063,472	5,579,912		1,162,173,261
Total loan balance at December 31, 2023	$ 484,178,472	$ 476,904,553	$ 119,789,994	$ 44,115,855	$ 46,063,472	$ 5,579,912		$ 1,176,632,258

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Changes in the allowance for credit losses on loans for the years-end December 31, 2023 and 2022, by portfolio segment were as follows:

	Commercial Real Estate and Construction Loans	Residential Mortgages	Bank/ Government Guarantees or Cash Deposits	Marketable Securities	Other Collateral	Unsecured Loans	Unallocated Reserve	Total
Balance at January 1, 2022	$ 2,947,402	$ 3,040,715	$ 55,085	$ 527,279	$ 491,474	$ 71,774	$ 7,846	$ 7,141,575
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision	724,262	821,265	(7,115)	(38,458)	51,247	78,849	42,950	1,673,000
Balance at December 31, 2022	$ 3,671,664	$ 3,861,980	$ 47,970	$ 488,821	$ 542,721	$ 150,623	$ 50,796	$ 8,814,575
Impact of adoption of ASC326	(243,030)	(425,490)	4,449	(57,230)	25,091	(63,342)	-	(759,552)
Charge-offs	-	(167,900)	-	-	-	-	-	(167,900)
Recoveries	-	-	-	-	-	-	-	-
Provision	74,072	672,503	811	(88,593)	104,502	(4,527)	(50,796)	707,972
Balance at December 31, 2023	$ 3,502,706	$ 3,941,093	$ 53,230	$ 342,998	$ 672,314	$ 82,754	$ -	$ 8,595,095

Effective January 1, 2023, individually analyzed loans include loans which do not share similar risk characteristics with other loans. As of December 31, 2023, the carrying value of individually analyzed loans was $14.4 million and all individually analyzed loans were considered collateral dependent. At December 31, 2023 all collateral dependent loans were in the residential mortgage segment and were secured by residential properties. The related allowance on collateral dependent loans totaled $560,525 at December 31, 2023. For collateral dependent loans where management has determined that foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and repayment of the loan is to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral, less costs to sell, and the amortized cost basis of the loan as of the measurement date.

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents information related to impaired loans by class of loans as of and for the years ended December 31, 2022:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
2022					
With no related allowance recorded:					
Residential mortgages	$ 12,220,996	$ 12,220,996	$ -	$ 12,582,738	$ 557,572
With related allowance recorded:					
Residential mortgages	2,238,001	2,238,001	373,750	2,238,001	-
Total	$ 14,458,997	$ 14,458,997	$ 373,750	$ 14,820,739	$ 557,572

During the year ended December 31, 2022, accrual basis interest income does not materially differ from cash basis related to impaired loans.

The Bank has recorded an ACL for unfunded credit commitments, which is recorded in other liabilities. On January 1, 2023 the Bank recorded a $0.7 million increase to ACL for unfunded credit commitments for the effect of adopting ASC 326. At December 31, 2023 the ACL for unfunded credit commitments totaled $1 million. The provision is recorded within the provision for credit losses on the Bank's consolidated statements of income.

The following table summarizes the provision for credit losses for the year ended December 31, 2023:

Provision for credit losses – loans	$ 707,972
Provision for credit losses - unfunded commitments	$ 152,028
Provision for credit losses	$ 860,000

(Continued)

NOTE 5 – BANK PREMISES, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

As of December 31, 2023, and 2022, bank premises, equipment, and leasehold improvements consisted of the following:

	2023	2022
Building	$ 2,000,000	$ 2,000,000
Leasehold Improvements	8,384,461	8,379,046
Furniture and equipment	7,734,653	7,622,428
	18,119,114	18,001,474
Accumulated depreciation and amortization	(13,599,545)	(12,332,560)
Total bank premises and equipment, net	$ 4,519,569	$ 5,668,914

Depreciation expense was $1,315,735 and $1,376,036 for 2023 and 2022, respectively.

NOTE 6 – DEPOSITS

As of December 31, 2023, and 2022, substantially all time deposits had maturities within one year. As of December 31, 2023, and 2022, interest-bearing deposits greater than $250,000 totaled $850,790,871 and $832,755,310, respectively, and non-interest-bearing deposits greater than $250,000 totaled $576,519,888 and $839,376,868, respectively.

Time deposits of more than $250,000 were $808,502,688 and $767,551,461 at year end 2023 and 2022, respectively.

As of December 31, 2023, there was no brokered demand deposits. Brokered demand deposits were $25,078,673 as of December 31, 2022.

As of December 31, 2023, and 2022, brokered long term time deposits were $64,423,000 and $38,802,000, respectively.

As of December 31, 2023, scheduled maturities of brokered long-term time deposits were as follows:

Due in:	
2024	$ 42,250,000
2025-2030	-
2031	4,768,000
2032-2035	-
2036	17,405,000
Total	$ 64,423,000

As of December 31, 2023, and 2022, interest-bearing deposits, which include demand, savings, money market and time deposit, amounted to $1,086,232,366 and $1,042,527,919, respectively.

(Continued)

NOTE 7 – BORROWINGS FROM FEDERAL HOME LOAN BANK

As a member of the Federal Home Loan Bank of New York (FHLB), the Bank may borrow, on a secured basis, an amount not to exceed 20 times the FHLB stock held by the Bank, as increased or decreased by other FHLB deposits or borrowings and subject to satisfaction of the FHLB's lending criteria and collateral requirements.

As of December 31, 2023, and 2022, the contractual maturities of FHLB borrowings were as follows:

	2023	2022
Due in:		
2023	N/A	70,900,000
2024	75,000,000	15,000,000
2025-2027	-	-
2028	10,300,000	-
	$ 85,300,000	$ 85,900,000

Payments over the next three years, including contractual interest, are as follows:

2024	$ 75,957,106
2025	512,250
2026	512,250
2027	512,250
2028	10,709,752
	$ 88,203,608

As of December 31, 2023, and 2022, the FHLB borrowings had fixed rates ranging from 1.97% to 5.51% and 1.97% to 3.48%, respectively, and weighted average rates of 4.86% and 2.75%, respectively.

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were collateralized by $272,059,154 and $298,958,197 of first mortgage loans under a blanket lien arrangement and $0 and $817,335 of mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities at year-end 2023 and 2022, respectively. Based on this collateral and the Bank’s holdings of FHLB stock, the Bank is eligible to borrow up to a total of $170,959,794 as of year-end 2023.

The Federal Home Loan Bank Act requires the Bank, as a member, to purchase FHLB stock in an amount equal to the sum of 0.2% of its aggregate unpaid residential mortgage loan principal balances, and 4.5% of outstanding FHLB advances. As of December 31, 2023, and 2022, the Bank held $5,160,400 and $5,043,300, respectively, of FHLB stock, which is included in other assets in the consolidated statements of financial condition.

NOTE 8 – RELATED-PARTY TRANSACTIONS

In the normal course of business, certain shareholders and affiliates have balances and transactions with the Bank. Included in the accompanying consolidated financial statements are loans of $71,291,855 and $63,880,982 at December 31, 2023 and 2022, respectively. Also included are related-party deposits of $87,632,535 and $83,434,370 at December 31, 2023 and 2022, respectively. Interest income and expense recognized on such asset and liability balances amounted to $2,764,294 and $1,842,973, respectively, for the year ended December 31, 2023 and $1,713,946 and $609,020, respectively, for the year ended December 31, 2022.

(Continued)

NOTE 9 – INCOME TAXES

The components of the income tax provision for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Current tax expense		
Federal	$ 8,556,013	$ 6,101,315
State and local	3,333,043	3,024,102
	11,889,056	9,125,417
Deferred tax expense (benefit)		
Federal	(77,682)	196,577
State and local	101,626	43,006
	23,944	239,583
Total tax provision	$ 11,913,000	$ 9,365,000

As of December 31, 2023, the effective tax rate for the Bank is 27.30%. This differs from the U.S. federal statutory income tax rate at 21% primarily due to state and local income taxes.

The differences between book and taxable income are due to permanent and temporary items. Permanent items are differences between book and taxable income that do not reverse. Temporary items are differences between book and taxable income that eventually reverse, and give rise to deferred tax assets and liabilities.

As of December 31, 2023 and 2022, the Bank had net deferred tax assets of $3,481,443 and $4,350,771, respectively. As of December 31, 2023, the Bank had total gross deferred tax assets of $10,982,810 primarily due to deferred tax on allowance for credit losses, the excess GAAP basis in the lease liability, other provisions and net unrealized loss on available-for-sale securities and derivatives. Total deferred tax liabilities at December 31, 2023, were $7,501,367 primarily due to deferred tax on allowable tax depreciation in excess of financial statement depreciation, the excess GAAP basis in the right-of-use asset and other deferred expense items. As of December 31, 2022, the Bank had total gross deferred tax assets of $12,335,341 primarily due to deferred tax on allowance for credit losses, the excess GAAP basis in the lease liability, other provisions and net unrealized loss on available-for-sale securities. Total deferred tax liabilities at December 31, 2022, were $7,984,570 primarily due to deferred tax on allowable tax depreciation in excess of financial statement depreciation, the excess GAAP basis in the right-of-use asset and other deferred expense items.

The Bank did not record a valuation allowance for deferred tax assets at December 31, 2023 or 2022, as it is more likely than not that these assets will be realized in the future.

The Bank had no unrecognized tax benefits as of December 31, 2023 and 2022. The Bank does not expect significant changes in the unrecognized tax benefits to occur within the next 12 months.

The Bank operates in the U.S. tax jurisdiction, and tax years 2020 to 2022 remain subject to examination by Internal Revenue Service (IRS), New York State Department of Taxation and Finance, New York City Department of Finance, Florida Department of Revenue, New Jersey Division of Taxation and State of California Franchise Tax Board.

(Continued)

NOTE 10 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Bank is party to various types of financial instruments which involve potential credit and interest rate risk in excess of the amounts recognized in the consolidated statements of condition. These risks are monitored and controlled in conjunction with the Bank's on-balance sheet activities.

In meeting its customers' financing needs, the Bank issues commitments to extend credit, commercial letters of credit, and standby letters of credit. For these types of commitments, the contractual amounts of the financial instruments represent the maximum potential credit risk in the event of nonperformance by the counterparty. However, since not all commitments are drawn down prior to their expiration, the contractual amounts do not necessarily represent actual future liquidity and credit risk. The actual credit risk related to these activities is controlled by the evaluation of the customer's credit worthiness and need and extent of collateral. Management determines the necessity of a reserve on these lending commitments.

As part of its own hedging, investing, and liquidity management activities, the Bank is party to forward contracts involving the purchase and sale of foreign currencies. Risks arise from the possible inability of counterparties to meet the terms of the contracts and from movements in exchange rates. The Bank controls the credit and exchange rate risks of such transactions through credit approvals, trading limits, and posting of collateral. The Bank from time to time will enter into interest rate swap agreements as a means of managing its interest rate risk.

During the year ended December 31, 2023 the Bank entered into interest rate swaps to manage interest rate risk on wholesale funding positions. The interest rate swaps are designated as cash flow hedges, and the fair value of these derivative contracts is recognized as either other assets or other liabilities in the Consolidated Statements of Financial Condition. For a cash flow hedge, the gain or loss on the contract is reported in other comprehensive income (loss) and is reclassified into earnings in the same periods during which the hedged transaction affects earnings.

As of December 31, 2022, there were no interest rate swap contracts and foreign exchange forward contracts outstanding. At December 31, 2023 the notional amount of interest rate swap contracts and foreign exchange forward contracts was $25,000,000 and $11,013,562, respectively. The table below presents the fair value of the Bank's interest rate swap contracts and foreign exchange forward contracts as well as their classification on the Consolidated Statements of Financial Condition as of December 31, 2023.

	2023	
	Fair Value	
	Assets (1)	Liabilities (2)
Interest rate swaps	$ -	$ 477,303
Foreign exchange forward contracts	47,742	9,613

(1) Fair value recognized in other assets on the Consolidated Statements of Financial Condition.
(2) Fair value recognized in other liabilities on the Consolidated Statements of Financial Condition.

(Continued)

NOTE 10 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (Continued)

As of December 31, 2023 and 2022, the Bank was party to the following outstanding financial instruments involving off-balance sheet risk (at their notional amounts):

	2023	2022
Standby letters of credit	$ 17,436,790	$ 14,795,789
Commitments to grant loans	173,884,144	163,577,698

The Bank provides guarantees to its customers in the form of standby letters of credit. Generally, the terms of standby letters of credit range from three to twelve months, and the Bank receives a fee for the guarantees. The guarantees are collateralized or supported by other types of recourse provisions (i.e., pledged assets such as cash and time deposits, and counter-guarantees). The maximum amount of undiscounted future payments related to such guarantees as of December 31, 2023 and 2022 was $17,436,790 and $14,795,789, respectively.

NOTE 11 – LEASE COMMITMENTS

The Bank currently leases land and office space and equipment in New York, NY, office space in Miami, FL, White Plains, NY and Morristown, NJ, and colocation space in Piscataway, NJ and Dallas, Texas.

The Bank's leases have remaining terms and ranging from 1 to 69 years. As of December 31, 2023, the weighted average remaining lease term for operating leases was 27 years and the weighted average discount rate used in the measurement of operating lease liabilities was 1.87%.

At December 31, 2023, the right-of-use asset and right-of-use liability totaled $24.7 million and was recorded in other assets and other liabilities on the consolidated statements of financial condition.

Future minimum annual rental commitments under the agreements are as follows:

Year	**Operating Leases**
2024	$ 1,518,453
2025	1,344,086
2026	1,354,798
2027	1,352,223
2028	1,324,278
Thereafter through 2092	34,130,327
Total undiscounted lease payments	41,024,165
Less: discount on cash flows	(16,336,428)
Net lease liability	$ 24,687,737

For the years ended December 31, 2023 and 2022, rent expense was $1,595,989 and $1,552,406, respectively, which is included in the occupancy expense in the consolidated statements of income.

(Continued)

NOTE 12 – FAIR VALUE MEASUREMENTS

Fair value is 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. There are three levels of inputs that may be used to measure fair values:

Level l: Quoted market prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar products in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

The Bank used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices for identical instruments in active markets, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities or quoted prices for identical or similar products in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets (Level 2).

Equity Securities: Fair values for equity securities are determined by quoted market prices in active markets, if available (Level 1). The equity securities change in fair market value is recorded in the income statement.

Foreign Exchange Forward Contracts: Fair values for foreign exchange forward contracts, which also are the amounts recognized in the consolidated statements of financial condition, are valued using dealer or broker quotes that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy.

Interest Rate Swaps: The fair values of interest rate swaps are based on valuation models using observable market data as of the measurement date (Level 2). Our interest rate swaps are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of interest rate swaps are determined using quantitative models that utilize multiple market inputs. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

(Continued)

NOTE 12 – FAIR VALUE MEASUREMENTS (Continued)

The following table presents the financial instruments measured at fair value on a recurring basis as of December 31, 2023 and 2022, by fair valuation hierarchy:

	Total Carrying Value	Level 1	Level 2	Level 3
2023				
Financial assets				
Available-for-sale securities				
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	$ 151,805,055	$ -	$ 151,805,055	$ -
U.S. Treasury and government agencies	59,099,400	-	59,099,400	-
Asset-backed securities	3,187,499	-	3,187,499	-
Corporate and other securities	6,855,620	-	6,855,620	-
	$ 220,947,574	$ -	$ 220,947,574	$ -
Equity securities	$ 961,281	$ 961,281	$ -	$ -
Foreign exchange forward contracts	$ 47,742	$ -	$ 47,742	$ -
Financial liabilities				
Foreign exchange forward contracts	$ 9,613	$ -	$ 9,613	$ -
Interest rate swaps contracts	$ 477,303	$ -	$ 477,303	$ -
2022				
Financial assets				
Available-for-sale securities				
Mortgage-backed obligations of U.S. federal agencies and U.S. government-sponsored entities	$ 179,044,675	$ -	$ 179,044,675	$ -
U.S. Treasury and government agencies	82,426,049	-	82,426,049	-
Asset-backed securities	15,069,088	-	15,069,088	-
Corporate and other securities	7,623,980	-	7,623,980	-
	$ 284,163,792	$ -	$ 284,163,792	$ -
Equity securities	$ 919,036	$ 919,036	$ -	$ -

(Continued)

NOTE 13 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

There were no significant amounts reclassified out of accumulated other comprehensive income (loss) for the year ended December 31, 2023 and 2022.

NOTE 14 – EMPLOYEE BENEFITS

All employees of the Bank are eligible to contribute to a 401(k) plan effective as of their date of hire. The Bank will make a matching contribution of 50% of the first 6% of the employee's compensation subject to IRS limit. The Bank's contribution expense in 2023 and 2022 totaled $406,250 and $345,861, respectively, which is included in salaries and employee benefits in the consolidated statements of income.

(Continued)

NOTE 15 – REGULATORY MATTERS

The FDIC has issued regulations classifying and defining capital for all banks into the following components: (1) Tier 1 capital, which includes tangible shareholders' equity for common stock and certain perpetual preferred stock, and (2) Tier II capital, which includes a portion of the allowance for loan losses.

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

Quantitative measures established by regulation to ensure capital adequacy requires the Bank to maintain minimum amounts and ratios (set forth in the following table) of Total and Tier I capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2023 and 2022, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2023, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios (set forth in the following table). Management believes there have been no conditions or events since this notification that would have changed the Bank's categorization.

The Bank's actual capital amounts and ratios are presented in the following table (dollar amounts in thousands):

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
As of December 31, 2023						
Total capital (to risk-weighted assets)	$ 240,404	20.87%	$ 92,159	≥8.0%	$ 115,198	≥10.0%
Tier I capital (to risk-weighted assets)	230,837	20.04	69,119	≥6.0	92,159	≥8.0
CET I capital (to risk-weighted assets)	230,837	20.04	51,839	≥4.5	74,879	≥6.5
Tier I capital (to average assets)	230,837	10.54	87,577	≥4.0	57,599	≥5.0
As of December 31, 2022						
Total capital (to risk-weighted assets)	$ 216,936	20.07%	$ 86,458	≥8.0%	$ 108,072	≥10.0%
Tier I capital (to risk-weighted assets)	208,061	19.25	64,843	≥6.0	86,458	≥8.0
CET I capital (to risk-weighted assets)	208,061	19.25	48,632	≥4.5	70,247	≥6.5
Tier I capital (to average assets)	208,061	8.34	99,814	≥4.0	54,036	≥5.0

Dividend Restrictions: New York State chartered banks are subject to certain restrictions on the amount of dividends that they may declare without prior regulatory approval. As of December 31, 2023, the Bank had $54,799,263 available for dividend declaration without prior regulatory approval.

INTERAUDI | BANK

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