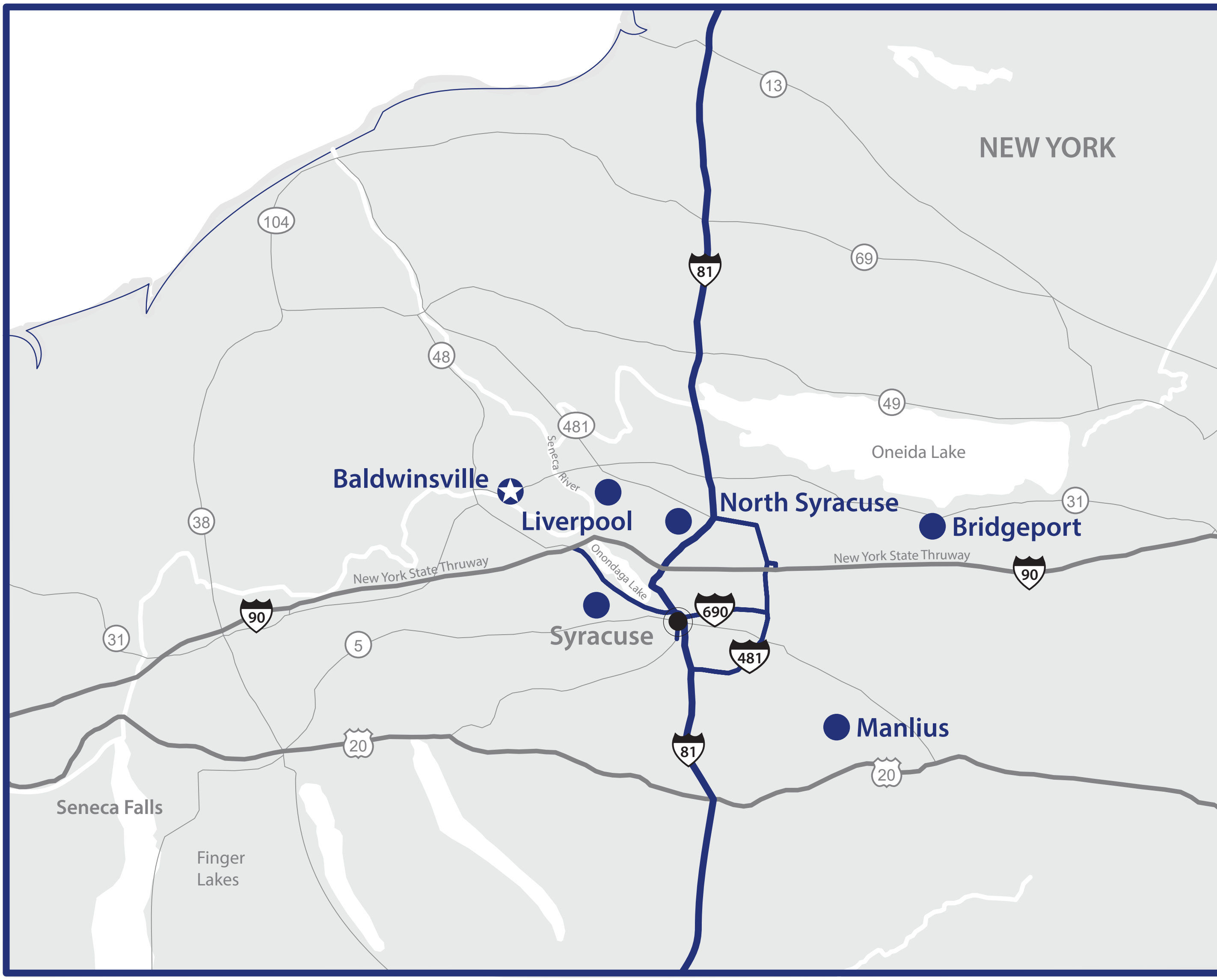
SENECA FINANCIAL CORP.

2024 Annual Report



SENECA SAVINGS

Main Office:

35 Oswego Street
Baldwinsville, New York 13027

Other Properties:

Liverpool Branch
7799 Oswego Road
Liverpool, New York 13089

North Syracuse Branch
201 North Main Street
North Syracuse, New York 13212

Bridgeport Branch
584 NY Rt. 31
Bridgeport, NY 13030

Financial Quest Seneca Savings
Insurance Agency
925 State Fair Blvd
Syracuse, NY 13209

Manlius
315 Fayette Street,
Suite 5
Manlius, NY 13104

President's Letter

Joseph Vitale, President, Seneca Savings

At Seneca Savings, our commitment to the communities we serve has always been at the heart of everything we do. As a community bank, we take great pride in fostering relationships that strengthen local businesses, empower individuals, and create lasting opportunities for growth and success. We are dedicated to assisting all clients at every stage of their life's journey—whether they are purchasing their first home, growing a business, planning for retirement, or navigating life's financial milestones. I am excited to share several significant developments that underscore our dedication to this mission.

Expanding Our Presence: Manlius and Clay
In May 2025, we will be opening our newest branch in Manlius, NY. This expansion represents more than just a new location; it is an extension of our promise to provide accessible, personalized financial services to more individuals and businesses in Central New York. We look forward to becoming an integral part of the Manlius community, supporting its residents, and helping local businesses thrive.

Additionally, we are thrilled to announce the purchase of 2.5 acres of land in the Town of Clay, directly across from the future Micron site. This strategic investment positions us to support the economic growth expected in the region and to provide financial solutions to businesses and families as this transformative development takes shape. We are committed to being a strong financial partner in Clay and beyond, fostering prosperity and opportunity.

Financial Quest: Continued Growth and Impact
Our wholly owned subsidiary, Financial Quest, continues to grow and evolve, offering comprehensive financial planning and investment services tailored to our clients' unique needs. As we expand our offerings, we remain steadfast in our commitment to helping individuals and businesses achieve their financial goals with confidence and clarity.

Commitment to Community Reinvestment
Beyond banking, we believe in reinvesting in the communities we serve. Each year, we contribute thousands of dollars to local initiatives and nonprofit organizations that make a meaningful impact. Some of the worthwhile ventures we support include Home Headquarters, The Diaper Bank, Peace, Inc., In My Father's Kitchen, Clear Path for Veterans, Paige's Butterfly Run, and many more. Through these partnerships, we strive to uplift those in need, foster economic stability, and enhance the quality of life for individuals and families across our region.

Promoting Financial Literacy with Everfi
We believe that financial education is a cornerstone of a strong community. Through our partnership with Everfi, we are proud to promote financial literacy in local schools, equipping students with the knowledge and skills they need to make informed financial decisions. By investing in financial education, we are investing in the future success of our youth and our communities.

As we embark on this exciting chapter of growth and expansion, I want to personally thank you—our customers, community partners, and team members—for your continued trust and support. Seneca Savings remains dedicated to serving you with integrity, innovation, and a genuine commitment to your financial well-being. We look forward to building a brighter future together.

Sincerely,

Joseph Vitale
President, Seneca Savings

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The summary information presented below at each date or for each of the years presented is derived in part from the audited consolidated financial statements of Seneca Financial Corp. The financial condition data at December 31, 2024 and 2023, and the operating data for the years ended December 31, 2024, and 2023, were derived from the audited consolidated financial statements of Seneca Financial Corp. included elsewhere in this annual report. The information at and for the years ended December 31, 2022, 2021 and 2020 was derived in part from audited consolidated financial statements that are not included in this annual report. The following information is only a summary and should be read in conjunction with our consolidated financial statements and notes included in this annual report.

	At December 31,				
	2024	2023	2022	2021	2020
	(Dollars in Thousands)				
Selected Financial Condition Data:					
Total assets	$ 280,939	$ 256,725	$ 234,471	$ 215,164	$ 221,525
Cash and due from banks	6,788	3,920	4,427	3,526	3,977
Available-for-sale securities	46,484	35,440	39,066	43,800	41,264
Loans, net	202,429	196,457	172,722	150,042	159,888
FHLB stock, at cost	3,361	2,998	2,477	2,619	2,884
Total liabilities	257,081	234,076	213,440	190,807	198,647
Deposits	210,571	193,713	184,247	160,067	155,918
FHLB advances and borrowings	41,253	35,500	25,000	24,950	38,096
Total stockholders' equity	23,858	22,649	21,031	24,357	22,878

	For the Years Ended December 31,				
	2024	2023	2022	2021	2020
	(Dollars in Thousands except per share data)				
Selected Data:					
Interest income	$ 13,364	$ 11,357	$ 8,909	$ 8,511	$ 8,750
Interest expense	5,230	3,595	1,038	940	1,830
Net interest income	8,134	7,762	7,871	7,571	6,920
Provision for credit losses loans	(145)	228	20	300	730
Provision for credit losses investments	451	47	-	-	-
Net interest income after provision for credit losses	7,828	7,487	7,851	7,271	6,190
Noninterest income	1,866	1,448	1,404	1158	1004
Noninterest expense	8,878	8,041	7,305	6,277	6,131
Earnings before provision for income taxes	816	894	1,950	2,152	1,063
Provision for income taxes	104	139	327	372	161
Net income	$ 712	$ 755	$ 1,623	$ 1,780	$ 902
Earnings per common share - basic	$ 0.40	$ 0.42	$ 0.90	$ 0.97	$ 0.49
Earnings per common share - dilutive	$ 0.40	$ 0.42	$ 0.89	$ 0.97	$ 0.49

	At or For the Years Ended December 31,				
	2024	2023	2022	2021	2020
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on average assets	0.27 %	0.31 %	0.73 %	0.80 %	0.40 %
Return on average equity	3.26 %	3.52 %	7.45 %	7.73 %	4.19 %
Interest rate spread(1)	2.76 %	2.95 %	3.62 %	3.55 %	3.08 %
Net interest margin(2)	3.22 %	3.30 %	3.74 %	3.66 %	3.25 %
Efficiency ratio(3)	88.77 %	87.30 %	78.76 %	71.91 %	77.37 %
Noninterest expense to average total assets	3.34 %	3.28 %	3.27 %	2.84 %	2.71 %
Average interest-earning assets to average interest-bearing liabilities	122 %	123 %	124 %	125 %	120 %
Asset Quality Ratios:					
Non-performing assets as a percent of total assets	0.31 %	0.53 %	0.10 %	0.15 %	0.56 %
Non-performing loans as a percent of total loans	0.22 %	0.21 %	0.06 %	0.18 %	0.34 %
Allowance for credit loss loans as a percentage of non-performing loans	403.58 %	491.59 %	2,124.72 %	697.06 %	294.43 %
Allowance for credit loss loans as a percentage of total loans	0.89 %	1.03 %	1.08 %	1.25 %	1.02 %
Net charge-offs to average outstanding loans during the period	0.05 %	0.04 %	0.02 %	0.03 %	0.19 %
Capital Ratios(4):					
Tier 1 leverage (core) capital (to adjusted tangible assets)	9.73 %	10.19 %	10.19 %	11.03 %	11.18 %
Average equity to average total assets	8.23 %	8.77 %	8.77 %	9.77 %	10.41 %
Other Data:					
Number of full-service offices	5	4	4	4	4
Number of full-time equivalent employees	58	59	59	50	50

(1) Represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.

(2) The net interest margin represents net interest income as a percentage of average interest-earning assets for the year.

(3) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.

(4) Capital ratios are for Seneca Savings (See Footnote 13). In 2020, Seneca Savings elected to follow the Community Bank Leverage Ratio (Tier 1 leverage (core) capital (to adjusted tangible assets)) and no longer is required to comply with the other general regulatory capital requirements.

Management's Discussion and Analysis of Financial Condition and Results of Operation

This discussion and analysis reflect our audited consolidated financial statements and other relevant statistical data and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the audited consolidated financial statements, which appear elsewhere in this annual report. You should read the information in this section in conjunction with the other business and financial information provided in this annual report.

Average balances and yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the years indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense.

	For the Years Ended December 31,								
	2024			2023			2022		
	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate
				(Dollars in thousands)					
Interest-earning assets:									
Loans	$ 202,927	$ 11,632	5.73%	$ 183,579	$ 9,627	5.24%	$ 160,827	$ 7,528	4.68%
Available-for-sale securities	40,385	1,190	2.95%	40,879	1,168	2.86%	43,849	1,182	2.70%
FHLB Stock	3,047	287	9.42%	2,707	236	8.72%	2,459	144	5.86%
Other interest-earning assets	6,432	255	3.96%	7,929	326	4.11%	3,265	55	1.68%
Total interest-earning assets	252,791	13,364	5.29%	235,094	11,357	4.83%	210,400	8,909	4.23%
Noninterest-earning assets	12,698			9,752			12,759		
Total assets	$ 265,489			$ 244,846			$ 223,159		
Interest-bearing liabilities:									
NOW accounts	$ 25,286	$ 24	0.09%	$ 25,746	$ 25	0.10%	$ 28,103	$ 28	0.10%
Regular savings and demand club accounts	22,887	20	0.09%	25,833	16	0.06%	29,940	21	0.07%
Money market accounts	56,305	1,407	2.50%	44,785	808	1.80%	39,421	132	0.33%
Certificates of deposit and retirement accounts	66,007	2,386	3.61%	64,203	1,720	2.68%	49,621	402	0.81%
Total interest-bearing deposits	170,485	3,837	2.25%	160,567	2,569	1.60%	147,085	583	0.40%
FHLB advances and other borrowed money	36,839	1,393	3.78%	30,909	1,026	3.32%	22,930	455	1.98%
Total interest-bearing liabilities	207,324	5,230	2.52%	191,476	3,595	1.88%	170,015	1,038	0.61%
Noninterest-bearing deposits	31,577			28,008			26,050		
Other noninterest-bearing liabilities	4,744			3,893			5,295		
Total liabilities	243,645			223,377			201,360		
Stockholders' equity	21,844			21,469			21,799		
Total liabilities and stockholders' equity	$ 265,489			$ 244,846			$ 223,159		
Net interest income		$ 8,134			$ 7,762			$ 7,851	
Net interest rate spread [1]			2.76%			2.95%			3.62%
Net interest-earning assets [2]	$ 45,467			$ 40,385			$ 41,983		
Net interest margin [3]			3.22%			3.30%			3.74%
Average interest-earning assets to average interest-bearing liabilities	122%			123%			124%		

(1) Interest rate spread represents the difference between the average yield on average interest-earning assets and the average cost of average interest-bearing liabilities.
(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by total interest-earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	Year Ended December 31, 2024 vs. 2023			Year Ended December 31, 2023 vs. 2022		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Total Increase (Decrease)	Volume	Rate	Total Increase (Decrease)
			(In thousands)			
Interest-earning assets:						
Loans	$ 1,015	$ 990	$ 2,005	$ 1,065	$ 1,034	$ 2,099
Available-for-sale securities	(14)	36	22	(80)	66	(14)
FHLB Stock	30	21	51	15	77	92
Other interest-earning assets	(62)	(9)	(71)	79	192	271
Total interest-earning assets	$ 969	$ 1,038	$ 2,007	$ 1,079	$ 1,369	$ 2,448
Interest-bearing liabilities:						
NOW accounts	$ (0)	$ (1)	$ (1)	$ (2)	$ (1)	$ (3)
Regular savings and demand club accounts	(2)	6	4	(3)	(2)	(5)
Money market accounts	208	391	599	18	658	676
Certificates of deposit and retirement accounts	48	618	666	118	1,200	1,318
Total deposits	254	1,014	1,268	131	1,855	1,986
FHLB and PPLF Borrowings	197	170	367	158	413	571
Total interest-bearing liabilities	451	1,184	1,635	289	2,268	2,557
Change in net interest income	$ 518	$ (146)	$ 372	$ 790	$ (899)	$ (109)

Comparison of Financial Condition at December 31, 2024 and December 31, 2023

Total assets increased $24.2 million, or 9.4%, to $280.9 million at December 31, 2024 from $256.6 million at December 31, 2023. The increase in assets was primarily due to increases in loans, securities available-for-sale, cash and due from banks, premises and equipment and pension assets.

Securities, available-for-sale increased by $11.0 million, or 31.2%, to $46.5 million at December 31, 2024 from $35.4 million at December 31, 2023. The increase was primarily due to the purchase of $12.9 million of short-term U.S. Treasury bonds and an increase in the unrealized gain on securities, available- for-sale of $91,000 partially offset by principal repayments of $844,000, maturities and calls of $555,000, a provision for credit losses of $451,000, and net amortization of premium and discounts of $80,000. A portion of our securities portfolio is used to collateralize FHLB advances.

Loans, net of allowance for loan losses, increased $6.0 million, or 3.04%, to $202.4 million at December 31, 2024 from $196.5 million at December 31, 2023, reflecting increases in commercial real estate loans and consumer loans. Commercial real estate loans increased $7.6 million, or 14.62%, to $59.5 million at December 31, 2024 from $51.9 million at December 31, 2023. Consumer loans increased $1.4 million, or 36.8%, to $5.3 million at December 31, 2024 from $3.9 million at December 31, 2023. Throughout the year of 2024, we increased our portfolio of commercial real estate and installment loans to increase earnings and to continue to manage interest rate risk.

Total deposits increased $16.9 million, or 8.7%, to $210.6 million at December 31, 2024 from $193.7 million at December 31, 2023. The increase was primarily due to increases in demand deposit accounts, NOW accounts, money market accounts and certificates of deposit. NOW accounts increased $2.7 million, or 11.0 %, to $27.1 million at December 31, 2024 from $24.4 million at December 31, 2023. Demand deposit accounts increased $1.1 million, or 3.6%, to $30.6 million at December 31, 2024 from $29.5 million at December 31, 2023. The increase in demand deposit accounts was the result of our continued focus on commercial deposit relationships. Money market accounts increased $12.3 million, or 24.3%, to $62.8 million at December 31, 2024 from $50.5 million at December 31, 2023. The increase in money market accounts was the result of our continued focus on commercial deposit relationships and several promotions throughout the year as market conditions changed in the higher interest rate environment. Certificates of deposit increased $1.7 million, or 2.6%, to $67.3 million at December 31, 2024 from $65.6 million at December 31, 2023 due to several promotions in the communities we serve.

Total borrowings from the FHLB of New York increased $5.8 million, or 16.2%, from $35.5 million at December 31, 2023 to $41.3 million at December 31, 2024 in order to increase funding for [loans].

Total stockholders' equity increased $1.2 million, or 5.3%, to $23.9 million at December 31, 2024 from $22.6 million at December 31, 2023. The increase was due to the combined effect of net income of $712,000, a decrease in accumulated other comprehensive loss of $470,000, an increase in the stock-based compensation valuation of $73,000 and an increase in the unearned ESOP shares of $24,000 partially offset by the purchases of treasury stock of $70,000.

Comparison of Operating Results for the Years Ended December 31, 2024 and 2023

General. Net income decreased $43,000, or 5.7%, to $712,000 for the year ended December 31, 2024, compared to $755,000 for the year ended December 31, 2023. The decrease was primarily due to increases in noninterest expense and the provision for credit losses, partially offset by increases in net interest income and noninterest income.

Interest Income. Interest income increased $2.0 million, or 17.7%, to $13.4 million for the year ended December 31, 2024, from $11.4 million for the year ended December 31, 2023. Our average balance of interest-earning assets increased $17.7 million, or 7.5%, to $252.8 million for the year ended December 31, 2024, from $235.1 million for the year ended December 31, 2023, due primarily to an increase in the average balance of loans. Our average yield on interest-earning assets increased 46 basis points to 5.29%, for the year ended December 31, 2024, from 4.83% for the year ended December 31, 2023, as a result of the increase in market interest rates.

Interest income on loans increased $2.0 million or 20.8%, to $11.6 million for the year ended December 31, 2024, from $9.6 million for the year ended December 31, 2023, due primarily to an increase in the average balance and average yield on loans. Our average balance of loans increased $19.3 million, or 10.5%, to $202.9 million for the year ended December 31, 2024, from $183.6 million for the year ended December 31, 2023. The increase in the average balance of loans resulted from our continued focus on small business lending. Our average yield on loans increased by 49 basis points to 5.73% for the year ended December 31, 2024, from 5.24% for the year ended December 31, 2023, primarily due to the increase in market rates.

Interest income on securities increased $22,000, or 1.9%, to $1.2 million for the year ended December 31, 2024, as compared to the year ended December 31, 2023. The average yield we earned on available-for-sale securities increased by nine basis points to 2.95% for the year ended December 31, 2024, from 2.86% for the year ended December 31, 2023, as yields on available-for-sale securities increased in the higher rate environment. The average balance of available-for-sale securities decreased $494,000, or 1.2%, to $40.4 million in 2024 from $40.9 million in 2023 due to principal payment and calls.

Interest Expense. Interest expense increased $1.6 million, or 45.5%, to $5.2 million for the year ended December 31, 2024 from $3.6 million for the year ended December 31, 2023, due to an increase in interest expense on deposits and an increase in interest expense on borrowings. Our average balance of interest-bearing liabilities increased $15.8 million, or 8.3%, to $207.3 million for the year ended December 31, 2024, from $191.5 million for the year ended December 31, 2023 due primarily to an increase in the average balance of certificates of deposit and money market accounts partially offset by a decrease in the average balances of NOW accounts and regular savings and club accounts. Our average rate on interest-bearing liabilities increased 64 basis points from 1.88% for the year ended December 31, 2023 to 2.52% for the year ended December 31, 2024, as a result of increases in the average rates on certificates of deposit, money market accounts and FHLB of New York borrowings.

Interest expense on deposits increased $1.3 million, or 49.4%, to $3.8 million for 2024 from $2.6 million for 2023 due to increases in the average rate paid and average balance of deposits. The average rate paid on deposits increased to 2.25% for 2024 from 1.60% for 2023, primarily reflecting higher rates paid on money market accounts and certificates of deposit. The average rate of money market accounts increased by 70 basis points to 2.50% in 2024 from 1.80% in 2023. The average rate of certificates of deposit increased by 93 basis points to 3.61% in 2024 from 2.68% in 2023. The average rates of money market accounts and certificates of deposit both increased due to promotions throughout 2024. The average balance of deposits increased $9.9 million or 6.2%, to $170.5 million for the year ended December 31, 2024, from $160.6 million for the year ended December 31, 2023 due primarily to the increase in the average balance of money market accounts which increased by $11.5 million to $56.3 million in 2024 from $44.8 million in 2023 and reflected the majority of the growth in the average balance of deposits as a result of our continued focus on commercial deposit relationships. The average balance of certificates of deposits increased by $1.8 million to $66.0 million in 2024 from $64.2 million in 2023.

Interest expense on borrowings increased $367,000, or 35.8%, to $1.4 million for the year ended December 31, 2024 from $1.0 million for the year ended December 31, 2023. The increase in interest expense on borrowings reflected increases in the average balance and average rate of borrowings. The average balance of borrowings increased $5.9 million, or 19.2%, from 30.9 million in 2023 to $36.8 million in 2024 in order to increase funding for loans. The average rate on borrowings increased 46 basis points to 3.78% in 2024 as compared to 3.32% for the prior year due to the higher rate environment.

Net Interest Income. Net interest income increased $372,000, or 4.79%, to $8.1 million for the year ended December 31, 2024 from $7.8 million for the year ended December 31, 2023. The net interest income increased due to organic loan growth at higher rates. Our net interest earning assets increased $5.1 million to $45.5 million for the year ended December 31, 2024 from $40.4 million for the year ended December 31, 2023. Our net interest rate spread decreased by 19 basis points to 2.76% for the year ended December 31, 2024, from 2.95% for the year ended December 31, 2023. Our net interest margin decreased by eight basis points to 3.22% for the year ended December 31, 2024, from 3.30% for the year ended December 31, 2023.

Provision for Credit Losses. We charge provisions for credit losses to operations in order to maintain our allowance for credit losses on loans and reserve for unfunded commitments at a level that is considered reasonable and necessary to absorb expected credit losses inherent in the loan portfolio and expected losses on commitments to grant loans that are expected to be advanced at the consolidated balance sheet date. In determining the level of the allowance for credit losses, we consider past and current loss experience, evaluations of real estate collateral, current economic conditions, including the impact of, volume and type of lending, adverse situations that may affect a borrower's ability to repay a loan, and the levels of non-performing and other classified loans. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates as more information becomes available, or conditions change. We assess the allowance for credit losses on a quarterly basis and make provisions for credit losses in order to maintain the allowance.

Based on our evaluation of the above factors, we recorded a $306,000 provision to the allowance for credit losses for the year ended December 31, 2024, compared to a $275,000 provision for credit losses for the year ended December 31, 2023. The increase in the provision for 2024 was the result of a provision for credit loss for a municipal bond and an increase in net charge-offs, partially offset by improved credit quality. Net charge-offs increased to $96,000 in 2024 as compared to $74,000 in 2023. The increase in charge-offs was due to $78,000 of charge-offs of commercial and industrial loans and $18,000 of consumer loans. The allowance for credit losses was $1.8 million at December 31, 2024 or 0.89% of total loans outstanding and $2.0 million, or 1.03% of total loans outstanding at December 31, 2023.

To the best of our knowledge, we have recorded our best estimate of expected losses in the loan portfolio and for unfunded commitments at December 31, 2024 and December 31, 2023. However, future changes in the factors described above, including, but not limited to, actual loss experience with respect to our loan portfolio, could result in material increases in our provision for credit losses. In addition, the Office of the Comptroller of the Currency, as an integral part of its examination process, will periodically review our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses. However, regulatory agencies are not directly involved in establishing the allowance for credit losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Noninterest Income. Noninterest income increased $418,000, or 28.9%, to $1.9 million for the year ended December 31, 2024, from $1.4 million for the year ended December 31, 2023. The increase was primarily due to an increase in income from financial services and retirement planning, an increase in fee income from loan servicing and a net gain on the sale of residential mortgages.

Noninterest Expense. Noninterest expense increased by $839,000, or 10.4%, to $8.9 million for the year ended December 31, 2024, as compared to $8.0 million for the year ended December 31, 2023. The increase was due primarily to increases in compensation and employee benefits of $645,000 and an increase in core processing expenses of $48,000. Additionally, the increase in noninterest expense was due to increases in FDIC insurance premiums. The increase in compensation and employee benefits expense was due to the hiring of a Director of Human Resources, a Marketing Officer, and an Information Technology Coordinator/Security Officer in 2024. Additional increases in compensation and employee benefits were attributed to salary increases. Core processing expenses increased as we continued to focus on network security, added new software to increase our efficiency and expanded our digital channels.

Income Tax Expense. We incurred income tax expense of $104,000 and $139,000 for the years ended December 31, 2024, and 2023, respectively, resulting in effective tax rates of 12.75% and 15.55%, respectively. The decrease in income tax expense resulted from the decrease in income before tax.

Bonadio & Co., LLP
Accounting, Consulting & More

INDEPENDENT AUDITOR'S REPORT

March 28, 2025

To the Board of Directors and Stockholders of
Seneca Financial Corp.:

Opinion

We have audited the accompanying consolidated financial statements of Seneca Financial Corp. and subsidiaries (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Company 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards 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.

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(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Company'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 President's Letter, Selected Consolidated Financial and Other Data, and Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated 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.

Bonadio & Co., LLP

SENECA FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands, except per share data)

	Years Ended December 31, 2024	Years Ended December 31, 2023
ASSETS		
Cash and cash equivalents	$ 6,788	$ 3,920
Securities, available-for-sale, net of allowance for credit losses of $498 and $47	46,484	35,440
Loans, net of allowance for credit losses of $1,804 and $2,045	202,429	196,457
Federal Home Loan Bank of New York stock, at cost	3,361	2,998
Premises and equipment, net	8,797	5,849
Bank owned life insurance	2,688	2,673
Pension assets	7,245	6,340
Accrued interest receivable	1,247	1,158
Intangible assets	584	739
Goodwill	412	412
Other assets	904	739
Total assets	$ 280,939	$ 256,725
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest bearing	$ 30,639	$ 29,557
Interest-bearing	179,932	164,156
Total Deposits	210,571	193,713
Federal Home Loan Bank advances	41,253	35,500
Advances from borrowers for taxes and insurance	2,349	2,386
Other liabilities	2,908	2,477
Total liabilities	257,081	234,076
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value, 1,000,000 shares authorized and unissued		
Common stock, $0.01 par value, 19,000,000 shares authorized, 2,002,923 shares issued and 1,838,278 shares outstanding at December 31, 2024 and 2,002,923 shares issued and 1,848,278 shares outstanding at December 31, 2023	9	9
Additional paid-in capital	8,118	8,045
Treasury stock, at cost (164,645 shares at December 31, 2024 and 154,645 at December 31, 2023)	(1,557)	(1,487)
Retained earnings	22,377	21,665
Unearned ESOP shares, at cost	(605)	(629)
Accumulated other comprehensive loss	(4,484)	(4,954)
Total stockholders' equity	23,858	22,649
Total liabilities and stockholders' equity	$ 280,939	$ 256,725

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

SENECA FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except for share data)

	Years Ended December 31, 2024	Years Ended December 31, 2023
INTEREST INCOME		
Loans, including fees	$ 11,632	$ 9,627
Securities	1,477	1,404
Other	255	326
Total interest income	13,364	11,357
INTEREST EXPENSE		
Deposits	3,837	2,569
Advances and borrowings	1,393	1,026
Total interest expense	5,230	3,595
Net interest income	8,134	7,762
Provision for credit losses available-for-sale securities	451	47
Provision for credit losses loans receivable	(145)	228
Net interest income after provision for credit losses	7,828	7,487
NONINTEREST INCOME		
Service fees	123	118
Income from financial services	925	594
Fee income	699	690
Gain on sale of fixed assets	6	-
Earnings on bank-owned life insurance	26	41
Net loss on sales of available-for-sale securities	-	(51)
Net gains on sale of residential mortgage loans	87	56
Total noninterest income	1,866	1,448
NONINTEREST EXPENSE		
Compensation and employee benefits	4,903	4,258
Core processing	1,446	1,398
Premises and equipment	766	763
Professional fees	232	211
Postage & office supplies	181	171
FDIC premiums	118	87
Advertising	351	341
Director fees	156	168
Other	725	644
Total noninterest expense	8,878	8,041
Income before provision for income taxes	816	894
PROVISION FOR INCOME TAXES	104	139
Net income	$ 712	$ 755
Net income per common shares - basic	$ 0.40	$ 0.42
Net income per common shares - diluted	$ 0.40	$ 0.42

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

SENECA FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	Years Ended December 31, 2024	2023
NET INCOME	$ 712	$ 755
OTHER COMPREHENSIVE INCOME, BEFORE TAX		
Available-for-sale securities:		
Unrealized holding gains arising during period	91	1,145
Less reclassification adjustment for net losses included in net income	-	51
Net unrealized gains on available-for-sale securities	91	1,196
Defined benefit pension plan:		
Net gains income arising during the period	503	335
Less reclassification of amortization of net losses recognized in net pension expense	-	-
Net changes in defined benefit pension plan	503	335
OTHER COMPREHENSIVE INCOME, BEFORE TAX	594	1,531
Tax effect	124	322
OTHER COMPREHENSIVE INCOME, NET OF TAX	470	1,209
TOTAL COMPREHENSIVE INCOME	$ 1,182	$ 1,964

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

SENECA FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Dollars in thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Loss	Total Equity
BALANCE, JANUARY 1, 2023	$ 9	$ 7,969	$ (1,039)	$ 20,910	$ (655)	$ (6,163)	$ 21,031
Net income	-	-	-	755	-	-	755
Other comprehensive income	-	-	-	-	-	1,209	1,209
ESOP shares committed to be released (2,586 shares)	-	-	-	-	26	-	26
Stock-based compensation	-	76	-	-	-	-	76
Purchase of treasury shares at cost (32,982 shares)	-	-	(448)	-	-	-	(448)
BALANCE, DECEMBER 31, 2023	$ 9	$ 8,045	$ (1,487)	$ 21,665	$ (629)	$ (4,954)	$ 22,649
Net income	-	-	-	712	-	-	712
Other comprehensive income	-	-	-	-	-	470	470
ESOP shares committed to be released (2,586 shares)	-	-	-	-	24	-	24
Stock-based compensation	-	73	-	-	-	-	73
Purchase of treasury shares at cost (10,000 shares)	-	-	(70)	-	-	-	(70)
BALANCE, DECEMBER 31, 2024	$ 9	$ 8,118	$ (1,557)	$ 22,377	$ (605)	$ (4,484)	$ 23,858

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

SENECA FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 712	$ 755
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	530	423
Provision for credit losses	306	275
Net amortization of premiums and discounts on securities	80	144
Gain on sale of residential mortgage loans	(87)	(56)
Proceeds from sale of residential mortgage loans	4,969	2,976
Loans originated and sold	(4,882)	(2,920)
Deferred income tax expense	94	259
Loss on sale of available-for-sale securities	-	51
Gain on sale of fixed assets	(6)	-
Amortization of deferred loan fees	70	(568)
ESOP compensation expense	24	26
Stock based compensation expense	74	76
Earnings on investment in bank owned life insurance	(26)	(41)
Increase in accrued interest receivable	(89)	(116)
Increase in other assets	(165)	(5)
Loss on sale of foreclosed real estate	-	2
Increase in pension assets	(402)	(405)
Increase (decrease) in other liabilities	513	(355)
Net cash flow provided by operating activities	1,715	521
CASH FLOWS FROM INVESTING ACTIVITIES:		
Activity in securities available-for-sale:		
Proceeds from calls and maturities	555	255
Proceeds from sales	-	3,656
Principal repayments	844	669
Purchases	(12,883)	-
Proceeds from sale of foreclosed real estate	-	123
Purchase of Federal Home Loan Bank of New York stock	(1,250)	(1,232)
Redemption of Federal Home Loan Bank of New York stock	887	711
Cash paid for acquisitions	-	(714)
Loan originations and principal collections, net	(5,897)	(23,395)
Purchases of premises and equipment	(3,317)	(588)
Net cash flow used in investing activities	(21,061)	(20,515)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits	16,858	9,466
Decrease in advances from borrowers for taxes and insurance	(37)	(1)
Purchase of treasury stock	(70)	(448)
Payments on acquisition contingent consideration	(290)	(30)
Repayment of long-term FHLB advances	(6,000)	(7,500)
Proceeds from long-term FHLB advances	11,753	16,000
Increase (decrease) in short-term FHLB advances	-	2,000
Net cash flow provided by financing activities	22,214	19,487
Net change in cash and cash equivalents	2,868	(507)
CASH AND CASH EQUIVALENTS - beginning of year	3,920	4,427
CASH AND CASH EQUIVALENTS - end of year	$ 6,788	$ 3,920
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest on deposits and borrowed funds	$ 5,213	$ 3,595
Income taxes	$ 101	$ -
SUPPLEMENTAL NONCASH DISCLOSURES		
Acquisition contingent consideration payable	$ -	$ 476

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

1. THE ORGANIZATION

Seneca Financial Corp. (the "Company") is a federally chartered mid-tier stock holding company and was formed in connection with the conversion of Seneca Federal Savings and Loan Association (the "Bank") into the mutual holding company form of organization in October 2017, and it is a subsidiary of Seneca Financial MHC (the "Mutual Holding Company"), a federally chartered mutual holding company. The Mutual Holding Company owned 1,068,618 shares, or 54.0%, of the Company's issued stock at the time of the reorganization. In connection with the reorganization, Seneca Financial Corp. sold 910,305 shares of common stock to the public at $10.00 per share, representing 46% of its outstanding shares of common stock at the time of the reorganization. The Mutual Holding Company activity is not included in the accompanying consolidated financial statements. Seneca Savings, formerly known as Seneca Federal Savings and Loan Association, is a wholly owned subsidiary of the Company. The same directors and officers, who manage the Bank, also manage the Company and the Mutual Holding Company.

Seneca Savings maintains its executive offices and main branch in Baldwinsville, New York, with branches in Liverpool, North Syracuse, Manlius and Bridgeport, New York. The Bank is a community-oriented savings and loan institution whose business primarily consists of accepting deposits from customers within its market area and investing those funds primarily in residential mortgage and commercial loans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards

In November 2023, the FASB issued ASU No. 2023-07 – Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures, to improve the reportable segment disclosures by requiring disclosure of incremental segment information on an annual and interim basis. In addition, the amendments will enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment and contain other disclosure requirements. The ASU does not change how a public entity identifies its operating segments or determines its reportable segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in this ASU are effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Other than meeting the new disclosure requirements, the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Bank and the Bank's wholly-owned subsidiary, Seneca Savings Insurance Agency, Inc. dba Financial Quest ("Quest"). Quest offers financial planning and investment advisory services and sells various insurance and investment products through broker networks. All significant intercompany transactions and balances have been eliminated in consolidation. The Company, as used in the consolidated financial statements, refers to the consolidated group.

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in earnings. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and our defined benefit program, are reported as a separate component of the equity section of the consolidated statements of financial condition, such items, along with net income, are components of comprehensive income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates, and such differences may be significant.

Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the allowance for loan losses, deferred tax assets, the assumptions used in the actuarial valuation and the estimation of fair values for accounting and disclosure purposes.

The Company is subject to the regulations of various governmental agencies. The Company also undergoes periodic examinations by the regulatory agencies which may subject it to further changes with respect to asset valuations, amounts of required loss allowances, and operating restrictions resulting from the regulators' judgements based on information available to them at the time of their examinations.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and amounts due from banks and interest-bearing deposits in the Federal Home Loan Bank of New York with original maturities of three months or less.

Securities

The Company classifies investment securities as available-for-sale. The Company does not hold any securities considered to be trading or held to maturity. Available-for-sale securities are reported at fair value, with net unrealized gains and losses reflected as a separate component of stockholders' equity, net of the applicable income tax effect.

Gains or losses on investment security transactions are based on the amortized cost of the specific securities sold. Premiums and discounts on securities are amortized and accreted into income using the interest method over the period to maturity or earliest call date.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Allowance for Credit Losses – Available-For-Sale Securities

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

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit losses. 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.

Federal Home Loan Bank of New York Stock

Federal law requires a member institution of the Federal Home Loan Bank System to hold stock of its district Federal Home Loan Bank ("FHLB") according to a predetermined formula. This restricted stock is carried at cost.

Management's determination of whether this investment is impaired is based on their assessment of the ultimate recoverability of its cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Loans

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by residential mortgage loans in Onondaga County located in Upstate New York. The ability of the Company's debtors to honor their contracts is dependent upon the real estate market and general economic conditions in these areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, deferred loan fees and costs. Accrued interest receivable totaled $1,010,666 and $867,812 at December 31, 2024 and 2023, respectively, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection.

Consumer and credit card loans continue to accrue interest until they are charged off no later than 90 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan, but generally applies when a payment is outstanding greater than 90 days. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is 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. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. 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 loans receivable portfolio is segmented into mortgage loans on real estate, commercial and industrial loans, and consumer loans. The mortgage loans on real estate segment consists of the following classes of loans: one-to-four family first-lien residential mortgages, residential construction, home equity loans and lines of credit, and commercial loans. Consumer loans includes home equity lines of credit on real estate, loans with junior liens and other consumer loans.

Mortgage loans on real estate:

- One- to four-family first-lien residential — are loans secured by first lien collateral on residential real estate primarily held in the Central New York region. These loans can be affected by economic conditions and the value of underlying properties. Central New York's housing market has consistently demonstrated stability in home prices despite economic conditions. Furthermore, the Company has conservative underwriting standards and its residential lending policies and procedures ensure that its one- to four-family residential mortgage loans generally conform to secondary market guidelines.

- Residential Construction — are loans to finance the construction of either one- to four-family owner occupied homes or commercial real estate. At the end of the construction period, the loan automatically converts to either a one- to four-family or commercial mortgage, as applicable. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion compared to the actual cost of construction. The Company limits its risk during construction as disbursements are not made until the required work for each advance has been completed and an updated lien search is performed. The completion of the construction progress is verified by a Company loan officer or inspections performed by an independent appraisal firm. Construction delays may impair the borrower's ability to repay the loan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

- Home equity loans and lines of credit — are loans or lines of credit secured by first or second liens on owner-occupied residential real estate primarily held in the Central New York region. These loans can also be affected by economic conditions and the values of underlying properties.

  Home equity loans may have increased risk of loss if the Company does not hold the first mortgage resulting in the Company being in a secondary position in the event of collateral liquidation. The Company does not originate interest only home equity loans.

- Commercial — are loans used to finance the purchase of real property, which generally consists of developed real estate that is held as first lien collateral for the loan. These loans are secured by real estate properties that are primarily held in the Central New York region. Commercial real estate lending involves additional risks compared with one- to four-family residential lending, because payments on loans secured by commercial real estate properties are often dependent on the successful operation or management of the properties, and/or the collateral value of the commercial real estate securing the loan, and repayment of such loans may be subject to adverse conditions in the real estate market or economic conditions to a greater extent than one- to four-family residential mortgage loans. Also, commercial real estate loans typically involve relatively large loan balances to single borrowers or groups of related borrowers. Accordingly, the nature of these types of loans make them more difficult for the Company to monitor and evaluate.

Commercial and industrial loans:

Includes business installment loans, lines of credit and other commercial loans. Most of the Company’s commercial loans have fixed interest rates and are for terms generally not in excess of 5 years.

Whenever possible, the Company collateralizes these loans with a lien on business assets and equipment and require the personal guarantees from principals of the borrower. Commercial loans generally involve a higher degree of credit risk because the collateral underlying the loans may be in the form of intangible assets and/or inventory subject to market obsolescence. Commercial loans can also involve relatively large loan balances to a single borrower or groups of related borrowers, with the repayment of such loans typically dependent on the successful operation of the commercial business and the income stream of the borrower. Such risks can be significantly affected by economic conditions. Although commercial loans may be collateralized by equipment or other business assets, the liquidation of collateral in the event of a borrower default may be an insufficient source of repayment because the equipment or other business assets may be obsolete or of limited use, among other things. Accordingly, the repayment of a commercial loan depends primarily on the credit worthiness of the borrowers (and any guarantors), while liquidation of collateral is a secondary and often insufficient source of repayment.

Consumer loans:

Consist of loans secured by collateral such as an automobile or a deposit account, unsecured loans, and lines of credit. Consumer loans tend to have a higher credit risk due to the loans being either unsecured or secured by rapidly depreciable assets. Furthermore, consumer loan payments are dependent on the borrower’s continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy.

Allowance for Credit Losses – Loans

The allowance for credit losses is a valuation account that is deducted to the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Management estimates the allowance balance using the weighted-average remaining maturity (WARM) method 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. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as difference in local economy changes and forecasts, changes in the nature and volume of the portfolio and in the terms of loans, concentrations of credit exposure, changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices, changes in the experience, ability and depth of lending management and relevant staff.

Management considers forward-looking information that is both reasonable and supportable and relevant to assessing the collectability of cash flows. The model calculates forward-looking adjustments for each loan category which is based on regression analysis run utilizing various national and state-level economic variables, indices and leading indicators (contained in the St. Louis FRB "FRED" data base) compared against loan category loss rates of the Bank's specific peer group. The regression analysis for the variable that results in the highest statistical correlation with the peer-bank losses is utilized for the forward-looking adjustment. The regression analysis is run on various lagged methods (economic variable or index precedes the loss by any six-month interval between one year and three years). The adjusted loss reverts back to the historical loss rates for periods beyond the reasonable and supportable forecast period.

The allowance for credit losses is measured on a collective pool basis with receivables that have similar risk characteristics. The Company feels that given the size of the loan portfolio, less complex mix of loan products, low historic loss-rate levels, and overall credit risk profile of the loan profiles, that it is appropriate to segment the portfolio into loan categories identified by FFIEC Call Report codes and further segment by risk rating.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. A collateral-dependent asset is a financial asset for which the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower, based on management's assessment, is experiencing financial difficulty. The allowance for credit loss for a collateral dependent financial asset is measured using the fair value of collateral. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Modifications for Debtors Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses and because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. The Company modified one loan to a borrower experiencing financial difficulty in the year ending December 31, 2024. The Company did not modify loans to borrowers experiencing financial difficulty in the year ending December 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or market in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan in the consolidated statements of income. We had no loans held for sale at December 31, 2024 and at December 31, 2023.

Income Recognition for Nonaccrual Loans

For residential and commercial classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past-due or management has serious doubts about further collectability of principal or interest, even though the loan may be currently performing. For other loan classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past-due or management has serious doubts about further collectability of principal or interest, even though the loan may be currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest is reversed and charged to interest income. Interest received on non-accrual loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

For non-accrual loans, when future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a non-accrual loan had been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to the allowance for credit losses until prior charge-offs have been fully recovered.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure establishing a new cost basis. Any write-downs based on the asset's fair value at date of acquisition are charged to the allowance for loan losses. After foreclosure, property held for sale is carried at the lower of the new cost basis or fair value less any costs to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to earnings, if necessary, to reduce the carrying value of the property to the lower of its cost or fair value less cost to sell. The Company did not have foreclosed real estate at December 31, 2024 and December 31, 2023 respectively. The Company had $401,000 of residential real estate loans in the process of foreclosure at December 31, 2024. The Company had $50,000 of residential real estate in the process of foreclosure at December 31, 2023.

Premises and Equipment

Land is carried at cost. Land improvements, buildings and building improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are generally seven to 39 years for buildings and building improvements and three to 10 years for furniture, fixtures, and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Income Taxes

Income taxes are provided for the tax effects of certain transactions reported in the consolidated financial statements. Income taxes consist of taxes currently due plus deferred taxes related primarily to temporary differences between the financial reporting and income tax basis of the allowance for loan losses, premises and equipment, certain state tax credits, and deferred loan origination costs. The deferred tax assets and liabilities represent the future tax return consequences of the temporary differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized.

Deferred tax assets and liabilities are reflected at 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 Company's Federal and New York State tax returns, constituting the returns of the major taxing jurisdictions, are subject to examination by the authorities for 2022, 2023 and 2024 as prescribed by applicable statute. No waivers have been executed that would extend the period subject to examination beyond the period prescribed by statute.

Advertising

The Company charges the costs associated with advertising to expense as incurred. Advertising expenses charged to operations for the years ended December 31, 2024 and 2023 was $351,000 and $341,000, respectively.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under commercial lines of credit. Such financial instruments are recorded when they are funded. The Company does not engage in the use of derivative financial instruments.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Revenue Recognition

The Company recognizes revenue in the consolidated statements of income as it is earned and when collectability is reasonably assured. The primary source of revenue is interest income from interest earning assets, which is recognized on the accrual basis of accounting using the effective interest method. The recognition of revenues from interest earning assets is based upon formulas from underlying loan agreements, securities contracts, or other similar contracts. Non-interest income is recognized on the accrual basis of accounting as services are provided or as transactions occur. Non-interest income includes earnings on bank-owned life insurance, fees from brokerage and advisory service, deposit accounts, merchant services, ATM and debit card fees, mortgage banking activities, and other miscellaneous services and transactions. See Note 15 for more information regarding the Company's non-interest income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located primarily in Onondaga County of New York State. A large portion of the Company's portfolio is centered in residential and commercial real estate. The Company closely monitors real estate collateral values and requires additional reviews of commercial real estate appraisals by a qualified third party for commercial real estate loans more than $500,000. All residential loan appraisals are reviewed by an individual or third party who is independent of the loan origination or approval process and was not involved in the approval of appraisers or selection of the appraiser for the transaction, and has no direct or indirect interest, financial or otherwise in the property or the transaction. Note 3 discusses the types of securities that the Company invests in. Note 4 discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

Bank-owned life insurance

The Company invests in bank-owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Company on a chosen group of employees. The Company is the owner and beneficiary of the life insurance policies, and as such, the investment is carried at the cash surrender value of the underlying policies. Income from the increase in cash surrender value of the policies is included in noninterest income in the consolidated statements of income. The BOLI policies are an asset that can be liquidated, if necessary, with associated tax costs. However, the Company intends to hold these policies and, accordingly, has not provided for deferred income taxes on the earnings from the increases in cash surrender value.

Pension and Postretirement Plans

The Company sponsors qualified defined benefit pension plan and supplemental executive retirement plan (SERP). The qualified defined benefit pension plan is funded with trust assets invested in a diversified portfolio of debt and equity securities. Accounting for pensions and other postretirement benefits involves estimating the cost of benefits to be provided well into the future and attributing that cost over the time period each employee works. To accomplish this, the Company makes extensive use of assumptions about inflation, investment returns, mortality, turnover, and discount rates. The Company has established a process by which management reviews and selects these assumptions annually. Among other factors, changes in interest rates, investment returns and the market value of plan assets can (i) affect the level of plan funding; (ii) cause volatility in the net periodic pension cost; and (iii) increase our future contribution requirements. A significant decrease in investment returns or the market value of plan assets or a significant decrease in interest rates could increase the Company's net periodic pension costs and adversely affect the Company's results of operations. A significant increase in the Company's contribution requirements with respect to the Company's qualified defined benefit pension plan could have an adverse impact on the Company's cash flow. Changes in the key actuarial assumptions would impact net periodic benefit expense and the projected benefit obligation for the Company's defined benefit and other postretirement benefit plan. See Note 10, "Employee Benefit Plans," for information on these plans and the assumptions used.

Intangible Assets and Goodwill

On October 6, 2023, the Company, through its subsidiary, Seneca Savings Insurance Agency, Inc., completed the acquisition of a retirement plan book of business. The Company paid an aggregate of $714,500 in cash and recorded $475,500 in contingent consideration payable to acquire the assets and recorded a $778,000 customer list intangible asset and goodwill in the amount of $412,000 in conjunction with the acquisition. $290,000 and $30,000 of contingent consideration was paid during the years ended December 31, 2024 and 2023, respectively. The above referenced acquisition was made to expand the Company's wealth management services activities.

The excess of the cost of acquired entities over the fair value of identifiable tangible and intangible assets acquired, less liabilities assumed, is recorded as goodwill. Goodwill is carried at its acquired value and is reviewed annually for impairment, or when events or changes in circumstances indicate that carrying amounts may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (Continued)

Acquired identifiable intangible assets that have finite lives are amortized over their useful economic life. The customer relationship intangibles is amortized over five years based upon the projected discounted cash flows of the accounts acquired. Acquired identifiable intangible assets that are amortized are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may be impaired.

Employee Stock Ownership Plan (“ESOP”)

Compensation expense is recognized based on the current market price of shares committed to be released to employees. All shares released and committed to be released are deemed outstanding for purposes of earnings per share calculations. Dividends declared and paid on allocated shares held by the ESOP are charged to retained earnings. The value of unearned shares to be allocated to ESOP participants for future services not yet performed is reflected as a reduction of stockholders’ equity. Dividends declared on unallocated shares held by the ESOP are recorded as a reduction of the ESOP’s loan payment to the Company.

Stock-Based Compensation

Compensation costs related to share-based payments transactions are recognized based on the grant-date fair value of the stock-based compensation issued. Compensation costs are recognized over the period that an employee provides service in exchange for the award. Compensation costs related to the employee stock ownership plan are dependent upon the average stock price and the shares committed to be released to the plan participants through the period in which income is reported.

Federal Home Loan Bank of New York advances

The Bank has secured a LOC from the FHLBNY to collateralize New York State deposits related to the Banking Development District Program. The program helps to give incentives for banks to open branches in communities with underserved banking resources. The Bridgeport branch allows us to market our deposit products in Madison County. The LOC is collateralized by one-to four- mortgage loans pledged to the FHLBNY.

Earnings per Common Share

Basic net income per common share is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. The Company had 1,642 and 3,008 potentially dilutive common stock equivalents at December 31, 2024 and 2023, respectively. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for purposes of calculating earnings per common share until they are committed to be released (See footnote 14).

Reclassifications

Certain amounts in the 2023 consolidated financial statements have been reclassified to conform with the 2024 presentation format. These classifications are immaterial and had no effect on net income or stockholders’ equity for the periods presented herein.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 28, 2025, which is the date the consolidated financial statements were available to be issued.

3. SECURITIES

The amortized cost and fair values of securities, with gross unrealized gains and losses are as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowance for Credit Losses	Fair Value
			(In thousands)		
Available-for-sale securities:					
December 31, 2024:					
U.S. Treasury securities	$ 15,923	$ 4	$ (116)	$ -	$ 15,811
U.S. Government Agency securities	1,000	-	(162)		838
Municipal securities	17,151	-	(2,372)	(498)	14,281
Mortgage-backed securities and collateralized mortgage obligations	6,862	-	(1,107)		5,755
Corporate securities	10,152	8	(361)		9,799
	$ 51,088	$ 12	$ (4,118)	$ (498)	$ 46,484
December 31, 2023:					
U.S. Treasury securities	$ 2,981	$ -	$ (209)	$ -	$ 2,772
U.S. Government Agency securities	1,000	-	(165)	-	835
Municipal securities	17,334	3	(2,126)	(47)	15,164
Mortgage-backed securities and collateralized mortgage obligations	7,664	-	(1,097)	-	6,567
Corporate securities	10,705	4	(607)		10,102
	$ 39,684	$ 7	$ (4,204)	$ -	$ 35,440

Government agency and U.S. Treasury securities include notes and bonds with fixed rates. Mortgage-backed securities and collateralized mortgage obligations consist of securities that are issued by Fannie Mae (“FNMA”), Freddie Mac (“FHLMC”), Ginnie Mae (“GNMA”), and Small Business Administration (“SBIC”) and are collateralized by residential mortgages. Municipal securities consist of government obligation and revenue bonds. Corporate securities consist of fixed and variable rate bonds with large financial institutions.

Investment securities with carrying amounts of $22.2 million and $10.5 million were pledged to secure deposits and for other purposes required or permitted by law for the years ended December 31, 2024 and 2023, respectively.

3. SECURITIES — (Continued)

The amortized cost and fair value of debt securities based on the contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	December 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Due in one year or less	$ 14,225	$ 13,723	$ -	$ -
Due after one year through five years	15,878	15,107	16,960	15,943
Due after five years through ten years	9,840	8,566	7,323	6,678
Due after ten years	4,283	3,333	7,739	6,252
Mortgage-backed securities and collateralized mortgage obligations	6,862	5,755	7,664	6,567
	$ 51,088	$ 46,484	$ 39,686	$ 35,440

The Company did not sell any available-for-sale securities and sold $3.7 million of available-for-sale securities with a gross realized loss of $51,000 during the years ended December 31, 2024 and 2023, respectively.

Management has reviewed its loan, mortgage-backed securities and collateralized mortgage obligations portfolios and determined that, to the best of its knowledge, little or no exposure exists to sub-prime or other high-risk residential mortgages. The Company is not in the practice of investing in, or originating, these types of investments or loans.

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position follows:

	Less than Twelve Months		Twelve Months and Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In thousands)			
December 31, 2024:				
U.S. Treasury securities	$ -	$ -	$ (116)	$ 2,874
U.S. Government Agency securities	-	-	(162)	839
Municipal securities	(24)	1,114	(2,348)	11,769
Mortgage-backed securities and collateralized mortgage obligations	-	-	(1,107)	5,755
Corporate securities	(4)	896	(357)	8,402
	$ (28)	$ 2,010	$ (4,090)	$ 29,639
December 31, 2023:				
U.S. Treasury securities	$ -	$ -	$ (209)	$ 2,772
U.S. Government Agency securities	-	-	(165)	835
Municipal securities	-	-	(2,126)	13,475
Mortgage-backed securities and collateralized mortgage obligations	-	-	(1,097)	6,567
Corporate securities	(7)	893	(600)	8,716
	$ (7)	$ 893	$ (4,197)	$ 32,365

Unrealized losses on U.S. treasury securities, government agency securities, mortgage-backed securities, collateral mortgage obligations, corporate securities, and municipal securities, have not been recognized into income because these losses are attributable to changes in interest rates, not credit quality, and because management does not intend to sell and will not be required to sell these securities prior to recovery or maturity.

3. SECURITIES — (Continued)

At December 31, 2024, one corporate security and three municipal securities were at a loss position for less than one year. At December 31, 2024, one government agency, one U.S. Treasury, thirty two municipal securities, four mortgage-backed, ten collateralized mortgage obligation securities and twelve corporate securities were in a continuous loss position for more than twelve months.

At December 31, 2023, one corporate securities was at a loss position for less than one year. At December 31, 2023, one government agency, one U.S. Treasury, thirty five municipal securities, four mortgage-backed, ten collateralized mortgage obligation securities and thirteen corporate securities were in a continuous loss position for more than twelve months.

Allowance for Credit Losses for Debt Securities:

The following table presents the allowance for credit losses on available-for-sale debt securities.

	Municipal Securities
	(In thousands)
December 31, 2024:	
Balance, beginning of period	$ 47
Provision for credit losses, not previously recorded	451
Balance, end of period	$ 498

	Municipal Securities
	(In thousands)
December 31, 2023:	
Balance, beginning of period	$ -
Provision for credit losses, not previously recorded	47
Balance, end of period	$ 47

At December 31, 2024, the fair value of available-for-sale securities in an unrealized loss position for which an allowance for credit losses has been recorded was $451 thousand. This is comprised of Madison County Capital Resource Corp. (Cazenovia College) bond that is in default at December 31, 2024. The bond is collateralized with all the assets and real estate of the issuer which will be monetized to satisfy bond holders.

At December 31, 2023, the fair value of available-for-sale securities in an unrealized loss position for which an allowance for credit losses has been recorded was $35 thousand, including unrealized losses of $12 thousand, and allowance for credit losses of $47 thousand. This comprised of Madison County Capital Resource Corp. (Cazenovia College) bond that is in default at December 31, 2023.

4. LOANS

Net loans for the period December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
	(In thousands)	
Mortgage loans on real estate:		
One-to four-family first lien residential	$ 101,236	$ 102,779
Residential construction	1,288	3,356
Home equity loans and lines of credit	11,916	10,733
Commercial	59,505	51,917
Total mortgage loans on real estate	173,945	168,785
Commercial and industrial	23,411	24,205
Consumer loans	5,339	3,904
Total loans	202,695	196,894
Allowance for credit losses	(1,804)	(2,045)
Net deferred loan origination (fees) and costs	1,538	1,608
Net loans	$ 202,429	$ 196,457

Residential real estate loans serviced for others, not included in net loans, by the Company totaled $29.4 million and $26.9 million at December 31, 2024 and 2023, respectively.

Loan Origination/Risk Management

The Company has lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by frequently providing management with reports related to loan production, loan quality, loan delinquencies, non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Risk Characteristics of Portfolio Segments

The risk characteristics within the loan portfolio vary depending on the loan segment. Consumer loans generally are repaid from personal sources of income. Risks associated with consumer loans primarily include general economic risks such as declines in the local economy creating higher rates of unemployment. Those conditions may also lead to a decline in collateral values should the Company be required to repossess the collateral securing consumer loans. These economic risks also impact the commercial loan segment, however commercial loans are considered to have greater risk than consumer loans as the primary source of repayment is from the cash flow of the business customer. Real estate loans, including residential mortgages, manufactured housing, commercial and home equity loans, comprise approximately 86.1% and 85.7% of the portfolio at December 31, 2024 and 2023, respectively. Loans secured by real estate provide the best collateral protection and thus significantly reduce the inherent risk in the portfolio.

Management has reviewed its loan portfolio and determined that, to the best of its knowledge, little or no exposure exists to sub-prime or other high-risk residential mortgages. The Company is not in the practice of originating these types of loans.

4. LOANS — (Continued)

Description of Credit Quality Indicators

Real estate, commercial and consumer loans are assigned a “Pass” rating unless the loan has demonstrated signs of weakness as indicated by the ratings below:

- Special Mention: The relationship is protected but are potentially weak. These assets may constitute an undue and unwarranted credit risk but not to the point of justifying a substandard rating. All loans 60 days past-due are classified Special Mention. The loan is not upgraded until it has been current for six consecutive months.

- Substandard: The relationship is inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledge, if any. Assets so classified have a well-defined weakness or a weakness that jeopardized the liquidation of the debt. All loans 90 days past-due are classified Substandard. The loan is not upgraded until it has been current for six consecutive months.

- Doubtful/Loss: Loans are considered uncollectible and of such little value that continuance as bankable assets are not warranted. It is not practicable or desirable to defer writing off this basically worthless asset even though partial recovery may be possible in the future.

The risk ratings are evaluated at least annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial, real estate or consumer loans. See further discussion of risk ratings in Note 2.

4. LOANS — (Continued)

The following tables present the loans to customers as of December 31, 2024 and 2023, based on year of origination within each credit quality indicator:

At December 31, 2024
(In thousands)

	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Mortgage loans on real estate:									
One-to-four-family first lien residential:									
Pass	$ 5,633	$ 12,938	$ 18,451	$ 11,101	$ 7,929	$ 45,184	$ -	$ -	$ 101,236
Total	5,633	12,938	18,451	11,101	7,929	45,184	-	-	101,236
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Residential construction:									
Pass	1,006	-	120	-	101	61	-	-	1,288
Total	1,006	-	120	-	101	61	-	-	1,288
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Home equity loans and lines of credit:									
Pass	2,736	2,232	1,406	1,363	643	3,536	11,083	188	11,916
Total	2,736	2,232	1,406	1,363	643	3,536	11,083	188	11,916
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Commercial:									
Pass	9,609	12,513	8,375	6,939	4,434	15,124	-	-	56,994
Substandard	500	-	-	-	97	1,914	-	-	2,511
Total	10,109	12,513	8,375	6,939	4,531	17,038	-	-	59,505
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Commercial and Industrial:									
Pass	6,145	5,802	5,975	1,656	1,502	1,593	-	-	22,673
Substandard	738	-	-	-	-	-	-	-	738
Total	6,883	5,802	5,975	1,656	1,502	1,593	-	-	23,411
Current period gross write-offs	-	31	-	25	-	22	-	-	78
Consumer:									
Pass	2,536	1,038	1,406	271	47	41	-	-	5,339
Total	2,536	1,038	1,406	271	47	41	-	-	5,339
Current period gross write-offs	$ 4	$ 10	$ 4	$ -	$ -	$ -	$ -	$ -	$ 18

4. LOANS — (Continued)

At December 31, 2023
(In thousands)

	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Mortgage loans on real estate:									
One-to-four-family first lien residential:									
Pass	$ 15,710	$ 19,599	$ 12,317	$ 8,394	$ 3,378	$ 43,381	$ -	$ -	$ 102,779
Total	15,710	19,599	12,317	8,394	3,378	43,381	-	-	102,779
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Residential construction:									
Pass	467	127	-	109	-	2,653	-	-	3,356
Total	467	127	-	109	-	2,653	-	-	3,356
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Home equity loans and lines of credit:									
Pass	2,631	1,774	1,850	661	296	3,521	10,653	98	10,733
Total	2,631	1,774	1,850	661	296	3,521	10,653	98	10,733
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Commercial:									
Pass	12,392	9,007	7,516	4,652	6,595	8,891	-	-	49,053
Special Mention	-	-	-	439	-	-			439
Substandard	-	-	260	102	54	2,009	-	-	2,425
Total	12,392	9,007	7,776	5,193	6,649	10,900	-	-	51,917
Current period gross write-offs	-	-	-	-	-	-	-	-	-
Commercial and Industrial:									
Pass	7,762	7,629	2,612	1,361	1,325	2,962	-	-	23,651
Special Mention	-	-	-	65	-	-			65
Substandard	-	-	-	-	489	-	-	-	489
Total	7,762	7,629	2,612	1,426	1,814	2,962	-	-	24,205
Current period gross write-offs	-	-	-	-	-	67	-	-	67
Consumer:									
Pass	1,608	1,891	296	64	8	37	-	-	3,904
Total	1,608	1,891	296	64	8	37	-	-	3,904
Current period gross write-offs	$ 8	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8

4. LOANS — (Continued)

One commercial and industrial loan relationship restructured 2 loans aggregating $500,000 were rated as substandard during the year ended December 31, 2024. At December 31, 2024, substandard loans remained relatively unchanged compared to December 31, 2023. Special Mention loans at December 31, 2023 migrated to substandard during the year ended December 31, 2024. All commercial loan relationships are current and paying as agreed.

Loans are considered past-due if the required principal and interest payments have not been received within thirty days of the payment due date. An age analysis of past-due loans, segregated by class of loans, are as follows:

	December 31, 2024 (In thousands)					
	30-59 Days Past-Due	60-89 Days Past-Due	90 Days Past-Due	Total Past-Due	Current	Total Loans Receivable
Mortgage loans on real estate:						
One-to four-family first lien residential	$ 1,089	$ 230	$ 369	$ 1,688	$ 99,548	$ 101,236
Residential construction	-	-	-	-	1,288	1,288
Home equity loans and lines of credit	1	-	32	33	11,883	11,916
Commercial	371	-	-	371	59,134	59,505
Total mortgage loans on real estate	1,461	230	401	2,092	171,853	173,945
Commercial and industrial	513	-	-	513	22,898	23,411
Consumer loans	5	9	-	14	5,325	5,339
Total loans	$ 1,979	$ 239	$ 401	$ 2,619	$ 200,076	$ 202,695

	December 31, 2023 (In thousands)					
	30-59 Days Past-Due	60-89 Days Past-Due	90 Days Past-Due	Total Past-Due	Current	Total Loans Receivable
Mortgage loans on real estate:						
One-to four-family first lien residential	$ 588	$ 344	$ 323	$ 1,255	$ 101,524	$ 102,779
Residential construction	-	-	-	-	3,356	3,356
Home equity loans and lines of credit	33	-	93	126	10,607	10,733
Commercial	914	-	-	914	51,003	51,917
Total mortgage loans on real estate	1,535	344	416	2,295	166,490	168,785
Commercial and industrial	-	-	-	-	24,205	24,205
Consumer loans	-	-	-	-	3,904	3,904
Total loans	$ 1,535	$ 344	$ 416	$ 2,295	$ 194,599	$ 196,894

4. LOANS — (Continued)

At December 31, 2024, we have approximately $32,000 home equity loans and lines of credit past-due 90 days and still accruing. At December 31, 2023, we did not have loans past-due 90 days and still accruing. Nonaccrual loans, segregated by class of loan as of December 31, 2024 and 2023 are as follows:

December 31, 2024			
	(In thousands)		
	Nonaccrual loans	**Nonaccrual loans without related allowance for credit losses**	**Recognized interest income**
Mortgage loans on real estate:			
One-to four-family first lien	$ 369	$ 369	$ -
Residential construction	-	-	-
Home equity loans and lines of credit	-	-	
Commercial	46	-	-
Consumer loans	-	-	-
Total nonaccrual loans	$ 415	$ 369	$ -

December 31, 2023			
	(In thousands)		
	Nonaccrual loans	**Nonaccrual loans without related allowance for credit losses**	**Recognized interest income**
Mortgage loans on real estate:			
One-to four-family first lien	$ 315	$ 113	$ -
Residential construction	-	-	-
Home equity loans and lines of credit	93	89	
Commercial	-	-	-
Consumer loans	8	-	-
Total nonaccrual loans	$ 416	$ 202	$ -

4. LOANS — (Continued)

Collateral-dependent loans

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the operation or sale of the collateral. Loans considered collateral-dependent were as follows:

	December 31, 2024	
	(In thousands) Amortized cost	Collateral type
Real estate:		
Residential 1-4 family	$ 620	Residential real estate property
Home equity line of credit	32	Residential real estate property
Total real estate	$ 658	

	December 31, 2023	
	(In thousands) Amortized cost	Collateral type
Real estate:		
Residential 1-4 family	$ 811	Residential real estate property
Home equity line of credit	126	Residential real estate property
Total real estate	$ 937	

4. LOANS — (Continued)

Two Commercial loans to one borrower were combined into one loan to extend the terms of the loans and increase the collateral coverage of the portfolio relationship

The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted (numbers in thousands):

	Term Extension	
	Amortized Cost Basis at December 31, 2024	**% of Total Class of Financing Receivable**
Mortgage loans on real estate:		
Commercial	$ 500	0.84%
Total	**$ 500**	

The following table describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

	Term Extension
Mortgage loans on real estate:	**Financial Effect**
Commercial	Added a weighted-average 20 years to the life of loans, which reduced monthly payment amounts for the borrower.

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Loans modified to borrowers experiencing financial difficulty did not have payment default during the year and were current as of December 31, 2024.

4. LOANS — (Continued)

Changes in the allowance for loan losses for the years ended December 31, 2024 and 2023 are as follows:

	December 31, 2024 (In thousands)				
	Mortgage Loans on Real Estate	Commercial and Industrial Loans	Consumer Loans	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$ 1,218	$ 325	$ 93	$ 409	$ 2,045
Charge-offs	-	(78)	(18)	-	(96)
Recoveries	-	-	-	-	-
Provision	(165)	125	88	(193)	(145)
Ending balance	$ 1,053	$ 372	$ 163	$ 216	$ 1,804

	December 31, 2023 (In thousands)				
	Mortgage Loans on Real Estate	Commercial and Industrial Loans	Consumer Loans	Unallocated	Total
Allowance for loan losses:					
Beginning balance, prior to adoption of ASC 326	$ 1,448	$ 203	$ 35	$ 205	$ 1,891
Impact of adoption of ASC 326	(141)	133	68	(60)	-
Charge-offs	-	(67)	(8)	-	(75)
Recoveries	-	-	1	-	1
Provision	(89)	56	(3)	264	228
Ending balance	$ 1,218	$ 325	$ 93	$ 409	$ 2,045

In the ordinary course of business, the Company makes loans to its directors and officers, including their families and companies in which certain directors are principal owners. All such loans were made on substantially the same terms including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated persons. Loans to directors and officers are listed below and are included in loans on the statement of financial condition.

	December 31,	
	2024	2023
	(In thousands)	
Balance, beginning of period	$ 924	$ 1,035
Proceeds	-	46
Payments	(144)	(157)
Balance, end of period	$ 780	$ 924

5. PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2024 and 2023 are summarized as follows:

Construction in progress is composed of ongoing improvements to existing branches and construction of a new branch and purchase of land for a branch. Depreciation expense for the years ended December 31, 2024, and 2023 was $375,000 and $430,000, respectively. Construction commitments at December 31, 2024, are $1.4 million. There were no construction commitments at December 31, 2023.

	December 31,	
	2024	2023
	(Dollars in Thousands)	
Building and building improvements	$ 7,125	$ 6,980
Construction in progress	3,346	548
Furniture, fixtures and equipment	2,760	2,410
	13,231	9,938
Accumulated depreciation	(4,434)	(4,089)
Total	$ 8,797	$ 5,849

6. DEPOSITS

The components of deposits for the years ended December 31, 2024 and 2023 consist of the following:

	December 31,	
	2024	2023
	(In thousands)	
Demand deposits	$ 30,639	$ 29,557
NOW accounts	27,058	24,383
Regular savings and demand clubs	22,752	23,644
Money markets	62,767	50,487
Certificates of deposit and retirement accounts	67,355	65,642
	$ 210,571	$ 193,713

6. DEPOSITS — (Continued)

As of December 31, 2024, certificates of deposit and retirement accounts have scheduled maturities as follows (dollars in thousands):

	December 31, 2024
2025	$ 47,489
2026	10,166
2027	6,327
2028	2,888
2029	485
Thereafter	-
	$ 67,355

The aggregate amount of time deposits in denominations of $250,000 or more were $38.3 million and $28.5 million including broker deposits of $16.9 million and $8.5 million at December 31, 2024 and 2023, respectively. Under the Dodd-Frank Act, deposit insurance per account owner is $250,000.

Interest expense on deposits for the years ended December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
	(Dollars in Thousands)	
NOW accounts	$ 24	$ 25
Regular savings and demand clubs	20	16
Money markets	1,407	808
Certificates of deposit and retirement accounts	2,386	1,720
	$ 3,837	$ 2,569

Related party deposits for the years ended December 31, 2024, and 2023 were $1.1 and $1.7 million, respectively.

7. BORROWINGS

Advances from the Federal Home Loan Bank of New York ("FHLBNY") reflect advances borrowed from the FHLBNY. The FHLBNY charges a substantial prepayment penalty for early payoff of an advance. The unamortized balances on advances at December 31, 2024 and 2023 are summarized as follows:

	December 31, 2024	December 31, 2023
	(Dollars in Thousands)	
Term Advances:		
Advanced January 8, 2019 - Due January 8, 2024 - bearing interest at 2.97% fixed rate	-	2,000
Advanced December 27, 2019 - Due December 27, 2024 - bearing interest at 1.98% fixed rate	-	1,000
Advanced December 30, 2019 - Due January 2, 2024 - bearing interest at 1.91% fixed rate	-	3,000
Advanced February 25, 2020 - Due February 25, 2025 - bearing interest at 1.52% fixed rate	1,000	1,000
Advanced March 5, 2020 - Due March 5, 2025 - bearing interest at 1.12% fixed rate	3,500	3,500
Advanced March 12, 2020 - Due March 12, 2025 - bearing interest at 1.42% fixed rate	1,000	1,000
Advanced November 30, 2022 - Due November 30, 2027 - bearing interest at 4.24% fixed rate	2,000	2,000
Advanced December 30, 2022 - Due December 30, 2025 - bearing interest at 4.54% fixed rate	2,000	2,000
Advanced December 30, 2022 - Due December 30, 2026 - bearing interest at 4.42% fixed rate	2,000	2,000
Advanced January 12, 2023 - Due January 12, 2028 - bearing interest at 3.85% fixed rate	2,000	2,000
Advanced March 10, 2023 - Due March 10, 2028 - bearing interest at 4.38% fixed rate	6,000	6,000
Advanced July 19, 2023 - Due July 19, 2027 - bearing interest at 4.49% fixed rate	1,000	1,000
Advanced September 11, 2023 - Due September 11, 2028 - bearing interest at 4.72% fixed rate	3,000	3,000
Advanced September 13, 2023 - Due September 14, 2026 - bearing interest at 4.61% fixed rate	2,000	2,000
Advanced September 26, 2023 - Due September 28, 2026 - bearing interest at 5.18% fixed rate	2,000	2,000
Advanced May 8, 2024 - Due May 10, 2027 - Zero Development Advance at 0% fixed rate	1,695	-
Advanced May 21, 2024 - Due November 23, 2026 - bearing interest at 4.80% fixed rate	2,000	-
Advanced May 21, 2024 - Due August 21, 2028 - bearing interest at 4.65% fixed rate	2,000	-
Advanced May 21, 2024 - Due August 23, 2027 - bearing interest at 4.72% fixed rate	2,000	-
Advanced May 21, 2024 - Due August 29, 2029- bearing interest at 4.61% fixed rate	2,000	-
Advanced October 4, 2024 - Due October 4, 2027 - Zero Development Advance at 0% fixed rate	2,058	-
Total Term Advances	39,253	33,500
Repurchase Advances:		
Advanced December 29, 2023 - Due January 5, 2024 - bearing interest at 5.56% fixed rate	-	2,000
Advanced December 27, 2024 - Due January 3, 2025 - bearing interest at 4.63% fixed rate	2,000	-
Total Advances	$ 41,253	$ 35,500

The contractual maturities and weighted average rates of advances from FHLBNY at December 31, 2024 are as follows (dollars in thousands):

2025	$ 9,500	2.65%
2026	8,000	4.75%
2027	8,753	2.56%
2028	13,000	4.42%
2029	2,000	4.61%
	$ 41,253	3.69%

7. BORROWINGS — (Continued)

The Company has access to FHLBNY advances, under which it can borrow at various terms and interest rates. Residential and commercial mortgage loans of $68.9 million and $63.5 million at December 31, 2024 and 2023 respectively, and investment securities of $12.5 million and $9.3 million, respectively, have been pledged by the Company under a blanket collateral agreement to secure the Company's borrowings. The total outstanding indebtedness under borrowing facilities with the FHLBNY cannot exceed the total value of the assets pledged under the blanket collateral agreement. The Company has a municipal letter of credit (MULOC) with the FHLBNY collateralizing a $10.0 million certificate of deposit with the State of New York Banking Development District at December 31, 2024 and 2023. The New York State certificate was deposited after the Company opened its fourth location in Bridgeport, New York. The Company has also pledged a collateralized mortgage obligation with a book value of $178,000 and a market value of $165,000 at December 31, 2024 and a book value of $190,000 and a market value of $174,000 at December 31, 2023, to a local municipality collateralizing their deposits. The Company has pledged a New York municipal bond with a book value of $337,000 and a market value of $282,000 at December 31, 2024 and a book value of $339,000 and a market value of $297,000 at December 31, 2023, to the link deposit program. The Company also has a $8.0 million dollar line of credit with two correspondent banks that is available on an unsecured basis and has no draws on the line of credit at December 31, 2024 and 2023.

8. INCOME TAXES

Income tax expense for the years ended December 31, is summarized as follows (in thousands):

	December 31,	
	2024	2023
	(Dollars in thousands)	
Current:		
Federal	$ 6	$ (124)
State	4	4
	10	(120)
Deferred:		
Federal	94	259
State	-	-
	94	259
Total provision for income taxes	$ 104	$ 139

8. INCOME TAXES (Continued)

The Company's deferred federal and state income tax and related valuation accounts represents the estimated impact of temporary differences between how we recognize our assets and liabilities under GAAP and how such assets and liabilities are recognized under federal and state tax law. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse.

The components of the net deferred tax liabilities, included in other liabilities at December 31, 2024 and 2023 in the consolidated statements of financial condition, are as follows:

	December 31,	
	2024	2023
	(Dollars in thousands)	
Deferred tax assets:		
Allowance for credit losses	$ 589	$ 538
Net operating loss carryforward	813	778
Nonaccrual interest	4	2
Net unrealized loss on securities available-for-sale	862	881
Other	98	56
Total deferred tax assets	2,366	2,255
Deferred tax liabilities:		
Net retirement plans	(1,872)	(1,681)
Depreciation	(403)	(351)
Deferred loan fees	(394)	(414)
Other	(1)	(1)
Total deferred tax liabilities	(2,670)	(2,447)
Valuation allowance	(449)	(342)
Net deferred tax (liabilities) assets	$ (753)	$ (534)

Items that give rise to differences between income tax expense included in the statements of income and taxes computed by applying the statutory federal tax at a rate of 21% for the periods below included the following:

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Computed at the statutory rate	$ 171	$ 188
Change in valuation allowance	107	82
State deferred tax liability	(107)	(82)
Nontaxable interest and dividend	(31)	(35)
Income from bank owned life insurance	(3)	(9)
Other items	(33)	(5)
Income tax provision	$ 104	$ 139

8. INCOME TAXES (Continued)

New York State (NYS) tax law changes were enacted in 2015 that resulted in the Company generating a significant deduction, ultimately putting the Company in a NYS net operation loss position for tax purposes that will persist for the foreseeable future. It is anticipated that mortgage recording tax generated each year will reduce the NYS capital base to the fixed dollar minimum tax. Therefore, in 2015, the Company recorded a valuation allowance against its net New York deferred tax asset as of December 31, 2015 as it is unlikely this deferred tax asset will impact the Company's New York tax liability in future years, primarily mortgage recording tax credit carryforward. The Company also de-recognized state deferred tax liabilities as a result of NYS law changes. The increase in valuation allowance at December 31, 2024 from December 31, 2023 was due to the increase in NYS deferred tax assets.

At December 31, 2024 and 2023, the Company had no unrecognized tax benefits recorded. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

Under current income tax laws, the base-year reserves would be subject to recapture if the Company pays a cash dividend in excess of earnings and profits or liquidates. The Bank does not expect to take any actions in the foreseeable future that would require the recapture of any Federal reserves. As a result, a deferred tax liability has not been recognized with respect to the Federal base-year reserve of $2,188,157 at December 31, 2024 and 2023, because the Bank does not expect that this amount will become taxable in the foreseeable future. The unrecognized deferred tax liability with respect to the Federal base-year reserve was $459,513 at December 31, 2024 and 2023. It is more likely than not that this liability will never be incurred because, as noted above, the Bank does not expect to take any action in the future that would result in this liability being incurred.

9. COMPREHENSIVE LOSS

The balances and changes in the components of accumulated other comprehensive loss, net of tax, are as follows:

	For the year ended December 31, 2024		
	Unrealized (Losses) Gains on Available-for-Sale Securities	**Net Loss on Pension Plan**	**Accumulated Other Comprehensive (Loss) Income**
		(In thousands)	
Beginning balance	$ (3,315)	$ (1,639)	$ (4,954)
Other comprehensive income	72	398	470
Ending balance	$ (3,243)	$ (1,241)	$ (4,484)

	For the year ended December 31, 2023		
	Unrealized Gains (Loss) on Available-for-Sale Securities	**Net (Loss) Gain on Pension Plan**	**Accumulated Other Comprehensive (Loss) Gain**
		(In thousands)	
Beginning balance	$ (4,261)	$ (1,902)	$ (6,163)
Other comprehensive income	946	263	1,209
Ending balance	$ (3,315)	$ (1,639)	$ (4,954)

9. COMPREHENSIVE LOSS — (Continued)

The amounts of income tax (expense) benefit allocated to each component of other comprehensive loss are as follows:

	For the years ended					
	December 31, 2024			December 31, 2023		
	Before Tax Amount	Tax (Expense) Benefit	Net	Before Tax Amount	Tax (Expense) Benefit	Net
	(In thousands)					
Available-for-sale securities:						
Unrealized holding gains arising during period	$ 91	$ (19)	$ 72	$ 1,145	$ (240)	$ 905
Reclassification adjustment for net losses included in net income	-	-	-	51	(10)	41
Net unrealized gains on available-for-sale securities	91	(19)	72	1,196	(250)	946
Defined Benefit Pension Plan:						
Net gains arising during the period	503	(105)	398	335	(72)	263
Less reclassification of amortization of net losses recognized in net pension expense	-	-	-	-	-	-
Net changes in defined benefit pension plan	503	(105)	398	335	(72)	263
Other Comprehensive Income	$ 594	$ (124)	$ 470	$ 1,531	$ (322)	$ 1,209

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss (AOCL):

	Amount Reclassified from AOCL		
	For the years ended		Affected line item in the
	2024	2023	Statement of Income
	(In thousands)		
Available-for-sale securities:			
Realized losses on sale of available for sale securities	$ -	$ (51)	Net realized losses on sales of available-for-sale securities
Tax effect	-	10	Provision for income taxes
	-	(41)	Net income

10. EMPLOYEE BENEFIT PLANS

Supplemental Executive Retirement Plan (SERP)

Beginning in 2016, the Company instituted a SERP for its executive officers. All benefits provided under the SERP are unfunded and, as the executive officers retire, the Company will make a payment to the participant. At December 31, 2024 and 2023, the Company recorded $194,000 and $170,000, respectively, for the SERP in other liabilities on the consolidated statements of financial condition. Expenses for the SERP are included in compensation and employee benefits on the consolidated statements of income and were approximately $24,000 and $22,000, respectively, for the years ended December 31, 2024 and 2023.

Defined Benefit Plan

The Company provides pension benefits for eligible employees through a noncontributory defined benefit pension plan (the "Pension Plan"). Substantially all employees participate in the retirement plan on a noncontributing basis and are fully vested after five years of service.

On October 13, 2017, the Compensation Committee elected to soft-freeze the defined benefit pension plan effective January 1, 2018. All employees hired after that date will not be eligible to participate in the defined benefit pension plan; they will, however, be able to participate in a 401k plan that the Company will match up to 50% of the employee elected contribution amount capped at 5% of the employee's earnings. Expense for the 401k is included in the compensation and employee benefits on the consolidated statement of income and was $51,473 and $34,919, respectively for the years ended December 31, 2024 and 2023.

All plan provisions and actuarial methods used in 2024 are the same as those used in 2024 and 2023, with the exception of the discount rate used to determine the benefit obligation which increased to 6.17% from 5.84%. The mortality table used in 2024 and 2023 was RP-2014 (adjusted) with MP-2021 mortality improvements.

Information pertaining to the activity in the Pension Plan for the years ended December 31, 2024 and 2023 is as follows:

	December 31,	
	2024	2023
	(Dollars in Thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 8,815	$ 8,741
Service cost	215	211
Interest cost	501	512
Actuarial (gain) loss	(89)	482
Benefits paid	(801)	(1,131)
Benefit obligation at end of year	8,641	8,815
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 15,155	$ 14,341
Actual return on plan assets	1,532	1,945
Employer contributions	-	-
Benefits paid	(801)	(1,131)
Fair value of plan assets at end of year	15,886	15,155
Net amount recognized, funded status	$ 7,245	$ 6,340

10. EMPLOYEE BENEFIT PLANS — (Continued)

The accumulated benefit obligation was $8.0 and $8.2 million at December 31, 2024 and 2023 respectively.

The assumptions used to determine the benefit obligation at December 31, 2024 and 2023 are as follows:

	2024	2023
Discount rate	6.17%	5.84%
Rate of increase in compensation levels	3.00%	3.00%

The components of net periodic pension cost and amounts recognized in other comprehensive income for the years ended December 31, 2024 and 2023 are as follows:

	December 31,	
	2024	2023
	(Dollars in Thousands)	
Service cost	$ 215	$ 211
Interest cost	501	512
Expected return on assets	(1,118)	(1,127)
Amortization of unrecognized loss	-	-
Net periodic pension cost	(402)	(404)
Total of amounts recognized in other comprehensive income loss	(503)	(335)
Total recognized in net periodic pension cost and other comprehensive income	$ (905)	$ (739)

The assumptions used to determine net periodic pension cost for the years ended December 31, 2024 and 2023 are as follows:

	December 31,	
	2024	2023
Discount rate	5.84%	6.04%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of increase in compensation levels	3.00%	3.00%

The long-term rate of return on assets assumption was set based on historical returns earned by the asset allocation of the investments currently used by the Pension Plan, which are expected to continue in the future.

Pension Plan assets are invested in diversified funds under the advice of Edgewater Advisors, Ltd. The investment funds include a series of mutual funds, each with its own investment objectives, investment strategies and risks.

10. EMPLOYEE BENEFIT PLANS — (Continued)

The fair values of the Company's Pension Plan assets at December 31, by asset category are as follows (dollars in thousands):

		Market Value of Assets - December 31, 2024		
	Asset Category	**Total**	**Level 1**	**Level 2**
	Equities & Commodities:			
(1)	Equity Income Separate Account-Z	$ 775	$ -	$ 775
(2)	LargeCap S&P 500 Index Separate Account-Z	3,229	-	3,229
(3)	Blue Chip Separate Account-Z	816	-	816
(4)	MidCap S&P 400 Index Separate Account-Z	1,907	-	1,907
(5)	SmallCap S&P 600 Index Separate Account-Z	1,602	-	1,602
(6)	Global Emerging Markets Separate Account-Z	734	-	734
(7)	Real Estate Securities Sep Acct-Z	456	-	456
	Total Equities and Commodities	9,519		9,519
	Fixed Income:			
(8)	LDI Short Duration Separate Account-Z	1,603	-	1,603
(9)	Core Fixed Income Separate Account-Z	1,564	-	1,564
(10)	Core Plus Bond Separate Account-Z	1,571	-	1,571
(11)	Inflation Protection Separate Account-Z 3-BlackRock	777	-	777
(12)	High Yield Separate Account-Z	798	-	798
(13)	Liquid Asset Separate Account-Z	54		54
	Total Fixed Income	6,367		6,367
	Total Market Value	$ 15,886	$ -	$ 15,886

		Market Value of Assets - December 31, 2023		
	Asset Category	**Total**	**Level 1**	**Level 2**
	Equities & Commodities:			
(1)	Equity Income Separate Account-Z	$ 764	$ -	$ 764
(2)	LargeCap S&P 500 Index Separate Account-Z	3,011	-	3,011
(3)	Blue Chip Separate Account-Z	790	-	790
(4)	MidCap S&P 400 Index Separate Account-Z	1,859	-	1,859
(5)	SmallCap S&P 600 Index Separate Account-Z	1,604	-	1,604
(6)	Global Emerging Markets Separate Account-Z	739	-	739
(7)	Real Estate Securities Sep Acct Z	473	-	473
	Total Equities and Commodities	9,240		9,240
	Fixed Income:			
(8)	LDI Short Duration Separate Account-Z	1,445	-	1,445
(9)	Core Fixed Income Separate Account-Z	1,480	-	1,480
(10)	Core Plus Bond Separate Account-Z	1,493	-	1,493
(11)	Inflation Protection Separate Account-Z 3-BlackRock	724	-	724
(12)	High Yield Sep Acct Z	742	-	742
(13)	Liquid Asset Separate Account-Z	31		31
	Total Fixed Income	5,915		5,915
	Total Market Value	$ 15,155	$ -	$ 15,155

Level 1 — Quoted Prices in Active Markets for Identical Assets
Level 2 — Significant Observable Inputs
Level 3 — Significant Unobservable Inputs

There were no Level 3 plan assets as of December 31, 2024 and 2023.

10. EMPLOYEE BENEFIT PLANS — (Continued)

Fund Descriptions:

(1) Equity Income Separate Account-Z: The investment seeks to provide current income and long-term growth of income and capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in dividend-paying equity securities at the time of purchase. It usually invests in equity securities of companies with large and medium market capitalizations. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

(2) Large Cap S&P 500 Index Separate Account-Z: The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

(3) Blue Chip Separate Account-Z: The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with large market capitalizations at the time of purchase that, in the fund's investment advisor's opinion, display characteristics of a "blue chip" company. The advisor tends to focus on securities of companies that show potential for growth of capital as well as an expectation for above average earnings. The fund invests in securities of foreign companies, as well as companies with medium market capitalizations.

(4) Mid Cap S&P 400 Index Separate Account-Z: The investment option normally invests the majority of assets in common stocks of companies that compose the S&P MidCap 400 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P MidCap 400 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P MidCap 400 Index.

(5) Small Cap S&P 600 Index Separate Account-Z: The investment seeks long-term growth of capital and normally invests the majority of assets in common stocks of companies that compose the S&P SmallCap 600 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 600 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 600 Index.

(6) Global Emerging Markets Separate Act-Z: The investment option normally invests the majority of assets in equities of companies in emerging market countries. It invests in securities of companies with their principal place of business or principal office in emerging market countries; companies for which the principal securities trade in an emerging market; or companies, regardless of where their securities are traded, that derive 50% of their total revenue from either goods or services produced in emerging market countries. The fund may invest in securities of companies with small to medium market capitalizations.

(7) Real Estate Securities Sep Acct-Z: The investment seeks to generate a total return. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies principally engaged in the real estate industry at the time of purchase. It invests in equity securities regardless of market capitalization (small, medium or large). The fund concentrates its investments (invest more than 25% of its net assets) in securities in the real estate industry. It is non-diversified.

(8) LDI Short Duration Separate Account-Z: The investment seeks to maximize total returns from the universe of debt securities in which the Portfolio invests. As a non-fundamental policy, under normal circumstances, the Portfolio will invest at least 80% of its net assets in fixed income securities considered to be investment grade quality. In addition, the Portfolio is authorized to invest more than 25% of its total assets in U.S. Treasury bonds, bills and notes, and obligations of federal agencies and instrumentalities.

10. EMPLOYEE BENEFIT PLANS — (Continued)

(9) Core Fixed Income Separate Account-Z: The investment seeks to provide a high level of current income consistent with preservation of capital. The fund invests primarily in a diversified pool of investment grade fixed-income securities, including corporate securities, U.S. government securities, asset-backed securities and mortgage-backed securities. It maintains an average portfolio duration that is within from 75% to 125% of the duration of the Bloomberg Barclays US Aggregate Bond Index.

(10) Core Plus Bond Separate Account-Z: The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.

(11) Inflation Protection Separate Account-Z 3-BlackRock: The investment seeks to provide current income and real (after inflation) total returns. The fund invests primarily in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and U.S. and non-U.S. corporations. It normally maintains an average portfolio duration that is within from 80% to 120% of the duration of the Bloomberg U.S. Treasury Inflation Protected Securities (TIPS) Index. The fund is not managed to a particular maturity.

(12) High Yield Sep Acct Z: The investment seeks to provide a high level of current income. The fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in below investment grade bonds and bank loans (sometimes called "high yield" or "junk") which are rated, at the time of purchase, Ba1 or lower by Moody's and BB+ or lower by S&P Global. It also invests in investment grade bank loans (also known as senior floating rate interests) and securities of foreign issuers, including those located in developing or emerging markets.

(13) Liquid Assets Separate Account-Z: The investment seeks as high a level of current income as is considered consistent with preservation of principal and maintenance of liquidity. It invests in a portfolio of high quality, short-term instruments. The investments are U.S. dollar denominated securities which the sub-advisor believes present minimal credit risks. The sub-advisor maintains a dollar weighted average portfolio maturity of 60 days or less.

The fair values of mutual funds are based upon quoted prices of each fund’s underlying securities. The Company is not required to make any contributions to its defined benefit pension plan in 2024 and 2023.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows (dollars in thousands):

Estimated pension payments:	
2025	$ 614
2026	$ 604
2027	$ 607
2028	$ 592
2029	$ 584
2029-2033	$ 3,524

10. EMPLOYEE BENEFIT PLANS — (Continued)

EMPLOYEE STOCK OWNERSHIP PLAN ("ESOP")

Effective upon the completion of the Company's initial public stock offering in October 2017, the Bank established an Employee Stock Ownership Plan ("ESOP") for all eligible employees. The ESOP used $775,740 in proceeds from a term loan obtained from the Company to purchase 77,574 shares of common stock on the open market at an average price of $10.00 per share. The ESOP loan will be repaid principally from the Bank's contribution to the ESOP in annual payments through 2047 at a fixed interest rate of 4.25%. Shares are released to participants on a straight-line basis over the loan term and allocated based on participant compensation. The Bank recognizes compensation benefit expense as shares are committed for release at their current market price. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to additional paid-in capital. Dividends on allocated shares are recorded as a reduction of retained earnings and dividends on unallocated shares are recorded as a reduction of debt. The Company recognized approximately $24,000 and $26,000 of compensation expense related to this plan for the year ended December 31, 2024 and December 31, 2023 respectively. At December 31, 2024, there were 60,459 shares not yet released having an aggregate market value of approximately $438,932. Participant vesting provisions for the ESOP are 20% per year and will be fully vested upon completion of six years of credited service. Eligible employees who were employed with the Bank shall receive credit for vesting purposes for each year of continuous employment prior to adoption of the ESOP.

STOCK BASED COMPENSATION

In August of 2019, the board of directors of the Company approved the grant of stock option awards to its directors and executive officers under the 2019 Equity Plan that had 96,967 shares authorized for option awards. A total of 47,500 stock option awards were granted to five directors and nine officers of the Company at an exercise price of $9.20 per share. The awards will vest ratably over five years (20% per year for each year of the participant's service with the Company) and will expire ten years from the date of the grant, or September 2029. The fair value of each option grant was established at the date of grant using the Black-Scholes option pricing model. The Black-Scholes model used the following weighted average assumptions: risk-free interest rate of 1.5%; volatility factors of the expected market price of the Company's common stock of 21.23%; weighted average expected lives of the options of 7.5 years. Based upon these assumptions, the weighted average fair value of options granted was $2.52. In May of 2020, the board of directors of the Company approved the grant of stock option awards to it executive officers under the 2019 Stock Option Plan. A total of 5,000 stock option awards were granted to five officers of the Company at an exercise price of $6.52. The awards will vest ratably over five years (20% per year for each year of the participant's service with the Company) and will expire ten years from the date of the grant, or June 2030. The fair value of each option grant was established at the date of grant using the Black-Scholes option pricing model. The Black-Scholes model used the following weighted average assumptions for the options granted in May of 2020: risk-free interest rate of 0.49%; volatility factors of the expected market price of the Company's common stock of 34.21%; weighted average expected lives of the options of 6.5 years. Based upon these assumptions, the weighted average fair value of options granted was $2.27. In June of 2021, the board of directors of the Company approved the grant of stock option awards to it executive officers and directors under the 2019 Stock Option Plan. A total of 15,900 stock option awards were granted to directors and executive officers of the Company at an exercise price of $9.75. The awards will vest ratably over five years (20% per year for each year of the participant's service with the Company) and will expire ten years from the date of the grant, or July 2031. The fair value of each option grant was established at the date of grant using the Black-Scholes option pricing model. In May 2022, the board of directors of the Company approved the grant of stock option awards to it executive officers and directors under the 2019 Stock Option Plan. A total of 4,800 stock option awards were granted to directors and executive officers of the Company at an exercise price of $11.25. The awards will vest ratably over five years (20% per year for each year of the participant's service with the Company) and will expire ten years from the date of the grant, or June 2032. The fair value of each option grant was established at the date of grant using the Black-Scholes option pricing model. In May 2023, the board of directors of the Company approved the grant of stock option awards to it executive officers and directors under the 2019 Stock Option Plan. A total of 2,000 stock option awards were granted to directors and executive officers of the Company at an exercise price of $8.83. The awards will vest ratably over five years (20% per year for each year of the participant's service with the Company) and will expire ten years from the date of the grant, or June 2033. The fair value of each option grant was established at the date of grant using the Black-Scholes option pricing model.

10. EMPLOYEE BENEFIT PLANS — (Continued)

The Black-Scholes model used the following weighted average assumptions for the options granted in May of 2023: risk-free interest rate of 3.53%; volatility factors of the expected market price of the Company's common stock of 29.22%; weighted average expected lives of the options of 6.5 years. Based upon these assumptions, the weighted average fair value of options granted was $2.93.

A summary of the Company's stock option activity and related information for its equity incentive plan for the years ended December 31, 2024 and 2023 is as follows:

	For the year ended December 31,			
	2024		2023	
	Options	Weighted Average Exercise Price Per Share	Options	Weighted Average Exercise Price Per Share
Outstanding at the beginning of the period	62,980	$ 9.27	60,980	$ 9.27
Grants:	-	-	2,000	8.83
Exercised	-	-	-	-
Forfeitures	(2,020)	$(9.18)	-	-
Outstanding at period end	60,960	$ 9.27	62,980	$ 9.27
Vested at end of year	50,640	$ 9.27	39,500	$ 9.27
Exercisable	50,640	$ 9.27	39,500	$ 9.27

The intrinsic value of options outstanding at December 31, 2024 and 2023 is $2,960 and $3,520, respectively.

The grants to senior management and directors vest over a five-year period in equal installments, with the first installment vesting on the anniversary date of the grant and succeeding installments on each anniversary thereafter, through 2028.

The compensation expense of the awards is based on the fair value of the instruments on the date of the grant and no options are available to be exercised at each year end.

The Company recorded compensation expense in the amount of approximately $28,057 for the year ended December 31, 2024 and approximately $42,800 for the year ended December 31, 2023. The Company has $27,208 of compensation expense remaining to be recognized at December 31, 2024.

Compensation costs related to share-based payments transactions are recognized based on the grant-date fair value of the stock-based compensation issued. Compensation costs are recognized over the period that an employee provides service in exchange for the award. Compensation costs related to the employee stock ownership plan are dependent upon the average stock price and the shares committed to be released to the plan participants through the period in which income is reported.

In May 2023 and 2022 the Company awarded 12,000 shares of restricted stock awards to senior management, respectively. The restricted stock vests 20% per year on the specified vesting date, until 100% vested on the specified vesting date of the fifth year after the after the restricted stock was granted. The Company recorded compensation expense in the amount of $45,792 for the year ended December 31, 2024 and $36,396 for the year ended December 31, 2023. The Company has $131,022 of compensation expenses remaining to be recognized at December 31, 2023.

The Company did not have any awards granted, vested, or forfeited during the year ended December 31, 2024.

11. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

11. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS — (Continued)

There were no securities transferred out of Level 2 securities available-for-sale during the twelve months ended December 31, 2024 and 2023.

	Total	Level 1	Level 2	Level 3
		(In thousands)		
Available-for-sale Securities:				
December 31, 2024:				
U.S. Treasury securities	$ 15,811	$ -	$ 15,811	$ -
U.S. Government Agency securities	838	-	838	-
Municipal securities	14,281	-	14,281	-
Mortgage-backed securities and collateralized mortgage obligations	5,755	-	5,755	-
Corporate securities	9,799	-	9,799	-
	$ 46,484	$ -	$ 46,484	$ -
December 31, 2023:				
U.S. Treasury securities	$ 2,772		$ 2,772	
U.S. Government Agency securities	835	$ -	835	$ -
Municipal securities	15,164	-	15,164	-
Mortgage-backed securities and collateralized mortgage obligations	6,567	-	6,567	-
Corporate securities	10,102	-	10,102	-
	$ 35,440	$ -	$ 35,440	$ -

Required disclosures include fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate, and estimates of future cash flows. In that regard, the fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Certain financial instruments and all non-financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of certain of the Company's assets and liabilities at December 31, 2024 and 2023.

11. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS — (Continued)

Cash and cash equivalents

The carrying amounts of these assets approximate their fair values.

Securities Available-For-Sale

The fair value of securities available-for-sale (carried at fair value) are determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather relying on the securities' relationship to other benchmark quoted prices and is a Level 2 measurement.

Investment in FHLBNY Stock

The carrying value of FHLBNY stock approximates its fair value based on the redemption provisions of the FHLBNY stock, resulting in a Level 2 classification.

Loans, Net

The fair values of loans held in portfolio are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate risk inherent in the loans, resulting in a Level 3 classification. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments, and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Accrued Interest Receivable and Payable and Advances from Borrowers for Taxes and Insurance

The carrying amount approximates fair value.

Deposits

The fair values disclosed for demand deposits (e.g., NOW accounts, non-interest checking, regular savings and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts), resulting in a Level 1 classification. The carrying amounts for variable-rate certificates of deposit approximate their fair values at the reporting date, resulting in a Level 1 classification. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits, resulting in a Level 2 classification.

Advances and borrowings from FHLB

The fair values of FHLB long-term borrowings are estimated using discounted cash flow analyses, based on the quoted rates for new FHLB advances with similar credit risk characteristics, terms and remaining maturity, resulting in a Level 2 classification.

11. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS — (Continued)

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2024 and 2023 are as follows:

	Fair Value Hierarchy	Carrying Amount	Fair Value
		(In thousands)	
December 31, 2024:			
Financial assets:			
Cash and due from banks	Level 1	$ 6,788	$ 6,788
Securities available-for-sale	Level 2	46,484	46,484
Investment in FHLB stock	Level 2	3,361	3,361
Loans, net	Level 3	202,429	189,034
Accrued interest receivable	Level 1	1,247	1,247
Financial liabilities:			
Deposits	Level 1/2	210,571	187,395
Advances and borrowings from FHLB	Level 2	41,253	41,253
Accrued interest payable	Level 1	146	146
Advances from borrowers for taxes and insurance	Level 1	2,349	2,349
December 31, 2023:			
Financial assets:			
Cash and due from banks	Level 1	$ 3,920	$ 3,920
Securities available-for-sale	Level 2	35,440	35,440
Investment in FHLB stock	Level 2	2,998	2,998
Loans, net	Level 3	196,457	177,906
Accrued interest receivable	Level 1	1,158	1,111
Financial liabilities:			
Deposits	Level 1/2	193,713	177,922
Advances and borrowings from FHLB and PPLF	Level 2	35,500	35,500
Accrued interest payable	Level 1	100	100
Advances from borrowers for taxes and insurance	Level 1	2,386	2,386

Assets Measured at Fair Value on a Nonrecurring Basis

In addition to disclosure of the fair value of assets on a recurring basis, ASC Topic 820 requires disclosures for assets and liabilities measured at fair value on a nonrecurring basis, such as impaired assets and foreclosed real estate. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of these loans. Nonrecurring adjustments also include certain impairment amounts for collateral-dependent loans calculated as required by ASC Topic 310, *"Receivables — Loan Impairment*" when establishing the allowance for loan losses. Impaired loans are those in which the Company has measured impairment generally based on the fair value of the loan's collateral less estimated selling costs. Fair value of real estate collateral is generally determined based upon independent third-party appraisals of the properties, which consider sales prices of similar properties in the proximate vicinity or by discounting expected cash flows from the properties by an appropriate risk adjusted discount rate. Management may adjust the appraised values as deemed appropriate. Fair values of collateral other than real estate is based on an estimate of the liquidation proceeds. Impaired loans and foreclosed real estate are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the asset balances net of a valuation allowance.

11. FAIR VALUE MEASUREMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS — (Continued)

Assets taken in foreclosure of defaulted loans generally measured at the lower cost or fair value less costs to sell. The fair value of the real property is generally determined using appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace, and the related nonrecurring fair value measurement adjustments have generally been classified as Level 3.

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2024 and 2023 were as follows:

	Total	Level 1	Level 2	Level 3
		(In thousands)		
December 31, 2024:				
Collateral-dependent loans	$ 652	$ -	$ -	$ 652
	$ 652	$ -	$ -	$ 652
December 31, 2023:				
Collateral-dependent loans	$ 890	$ -	$ -	$ 890
	$ 890	$ -	$ -	$ 890

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which Level 3 inputs were used to determine fair value:

	Quantitative Information about Level 3 Fair Value Measurements		
	Valuation Techniques	Unobservable Input	Adjustment
Impaired loans	Lower of appraisal of collateral or asking price less selling costs	Appraisal adjustments	10%
		Costs to sell	8%-20%

At December 31, 2024 and 2023, the fair value consists of loan balances of $652,000 and $937,000, respectively, net of a valuation allowance of $0 and $47,000, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Company is at times, and in the ordinary course of business, subject to legal actions. Management believes that losses, if any, resulting from current legal actions will not have a material adverse effect on the Company's consolidated financial condition or results of operations.

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit, market, and interest rate risk more than the amounts recognized in the consolidated statements of financial condition.

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

As of the dates indicated, the following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31, 2024	December 31, 2023
	(In thousands)	
Commitments to Grant Loans	$ 787	$ 805
Performance Standby Letters of Credit	$ 127	$ 171
Unfunded Commitments Under Lines of Credit	$ 27,854	$ 21,264

Commitments to extend credit are agreements to lend to a customer if there is no violation of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed. Allowance for credit losses on unfunded loan commitments was immaterial at December 31, 2024 and 2023.

13. REGULATORY CAPITAL REQUIREMENTS

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

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019.

13. REGULATORY CAPITAL REQUIREMENTS — (Continued)

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 require the Bank to maintain minimum amounts and ratios set forth in the table below of total, Tier 1, and Tier 1 common equity capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier 1 capital to average assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Bank met all capital adequacy requirements to which it is subject.

The Basel III rules limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier I capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is 2.5% of risk-weighted assets.

As a result of the Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies were required to develop a "Community Bank Leverage Ratio" (the ratio of a Bank's Tier 1 capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. A financial institution can elect to be subject to this new definition. The federal banking agencies set the minimum capital for the Community Bank Leverage Ratio at 9.00%. Pursuant to the CARES Act, the federal banking agencies in April 2020 issued interim final rules to set the Community Bank Leverage Ratio at 8% beginning in the second quarter of 2020 through the end of 2020. Beginning in 2021, the Community Bank Leverage Ratio increased to 8.5% for the calendar year. Beginning January 1, 2022, the Community Bank Leverage Ratio requirement returned to 9%. The Bank elected to adopt the Community Bank Leverage Ratio as of June 30, 2020.

As of December 31, 2024, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain a minimum Tier 1 leverage ratios (Community Bank Leverage Ratio) as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2024 and 2023, are as follows:

	Actual		Capital Adequacy Purposes		To be Well Capitalized Under Prompt and Corrective Action Provisions		Minimum Capital Adequacy with Buffer	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
				(In thousands)				
As of December 31, 2024:								
Tier 1 capital to assets	$ 26,556	9.73%	$ 21,823	8.00%	$ 24,551	9.00%	N/A	N/A
As of December 31, 2023:								
Tier 1 capital to assets	$ 25,466	10.19%	$ 19,991	8.00%	$ 22,489	9.00%	N/A	N/A

14. EARNINGS PER SHARE COMMON

Basic earnings per share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Net income available to common stockholders is net income to the Company. The Company has granted 71,200 stock options to Directors and Officers as of December 31, 2024. During the twelve months ended December 31, 2024, the Company had 1,642 potentially dilutive common stock equivalents. During the twelve months ended December 31, 2023, the Company had 3,008 potentially dilutive common stock equivalents. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for purposes of calculating earnings per common share until they are committed to be released. Antidilutive share are not include in the weighted-average number of common share outstanding for purposes of calculating earnings per common shares until they become dilutive.

The following table sets forth the calculation of basic and diluted earnings per share.

	Year ended December 31,	
(Dollars in Thousands Except per Share Data)	**2024**	**2023**
Basic earnings per common share:		
Net income available to common stockholders	$ 712	$ 755
Weighted average common shares outstanding basic	1,758,729	1,786,740
Weighted average common shares outstanding dilutive	1,760,371	1,789,478
Earnings per share basic	$ 0.40	$ 0.42
Earnings per share dilutive	$ 0.40	$ 0.42

15. NON-INTEREST INCOME

The Company has included the following tables regarding the Company's non-interest income for the periods presented.

	For the years ended December 31, 2024	2023
	(In thousands)	
Service fees		
Deposit related fees	$ 38	$ 39
Loan servicing income	85	79
Total service fees	123	118
Income from financial services		
Securities commission income	906	569
Insurance commission income	19	25
Total insurance and securities commission income	925	594
Card income		
Debit card interchange fee income	307	300
ATM fees	31	29
Insufficient fund fees	286	293
Total card and insufficient funds income	624	622
Realized gain (loss) on sale of residential mortgage loans, and available-for-sale securities		
Realized gain on sales of residential mortgage loans	87	56
Realized net (loss) on available-for-sales securities	-	(51)
Bank owned life insurance	26	41
Other miscellaneous income	81	68
Total non-interest income	$ 1,866	$ 1,448

15. NON-INTEREST INCOME — (Continued)

The following is a discussion of key revenues within the scope of the new revenue guidance:

- Service fees — Revenue from fees on deposit accounts is earned at the time that the charge is assessed to the customer's account. Fee waivers are discretionary and usually reversed within the same reporting period as assessed.
- Fee income — Fee income is earned through commissions and is satisfied over the time which the fee has been assessed.
- Card income and insufficient funds fees — Card income consists of interchange fees from consumer debit card networks and other card related services. Interchange rates are set by the card networks. Interchange fees are based on purchase volumes and other factors and are recognized as transactions occur. Insufficient funds fees are satisfied at the time the charge is assessed to the customer's account.

16. PARENT COMPANY ONLY FINANCIAL INFORMATION

The following condensed financial statements summarize the financial position and results of operations and cash flows of the parent savings and loan holding company, Seneca Financial Corp., as of December 31, 2024, and 2023 and for the years then ended.

Parent Only Condensed Balance Sheets

	December 31,	
	2024	2023
	(In Thousands of Dollars)	
Assets		
Cash in bank subsidiary	$ 79	$ 256
Investments in subsidiaries, at underlying equity	23,068	21,664
Loan receivable - ESOP	666	684
Other assets	45	45
Total assets	$ 23,858	$ 22,649
Liabilities and Stockholders' Equity		
Liabilities:		
Other liabilities	$ -	$ -
Total liabilities	-	-
Stockholders' equity:		
Total stockholders' equity	23,858	22,649
Total liabilities and stockholders' equity	$ 23,858	$ 22,649

16. PARENT COMPANY ONLY FINANCIAL INFORMATION — (Continued)

Parent Only Condensed Statements of Income

	Year Ended December 31 2024	2023
	(In Thousands of Dollars)	
Interest income:		
Income on ESOP loan	$ 28	$ 28
Total interest income	28	28
Non-interest expenses:		
Professional fees	152	92
Other non-interest expense	75	75
Total non-interest expense	227	167
Loss before taxes	(199)	(139)
Income tax expense	(42)	(29)
Earnings before equity in undistributed earnings of Bank	(241)	(168)
Equity in undistributed earnings of Bank	953	923
Net income	$ 712	$ 755

Parent Only Statement of Cash Flows

Cash flows from operating activities:		
Net income	$ 712	$ 755
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed income of Bank	(953)	(923)
Decrease in other assets	43	29
Stock based compensation expense	74	76
Net used in operating activities	(124)	(63)
Cash flows from investing activities:		
Payments received on ESOP loan	17	16
Net cash used in investing activities	17	16
Cash flows from financing activities:		
Dividend from Bank subsidiary	-	-
Repurchase of shares into treasury stock	(70)	(448)
Net cash provided by financing activities	(70)	(448)
Net change in cash and cash equivalents	(177)	(495)
Cash and cash equivalents -beginning of year	256	751
Cash and cash equivalents - end of year	$ 79	$ 256

17. SEGMENT INFORMATION

The Company has two primary business segments, its community banking franchise, and its wealth management agency.

The community banking segment provides financial services to consumers and businesses principally in the Greater Syracuse Area and Onondaga County of New York State. These services include providing various types of loans to customers, accepting deposits, mortgage banking, and other traditional banking services. Parent company income is included in the community-banking segment, as the majority of effort for these functions is related to this segment. Major revenue sources include net interest income and service fees on deposit accounts. Expenses include personnel and branch-network support charges. The wealth management agency segment offers individual investment management for individuals in the Greater Syracuse Area. The primary revenue source is commissions from 401(k) management and brokered accounts.

The Company's Chief Financial Officer is the chief operating decision maker ("CODM"). The CODM evaluates the financial performance of the Company's components such as evaluating revenue streams, significant expenses, and budget to actual results in assessing the performance of the Company's segments in the determination of allocating resources. Financial information regarding each significant segment expense outlined below is regularly provided (at least monthly) to the CODM. For the community banking segment, interest expense is a significant segment expense. Additionally, for each of the two reportable segments, compensation and employee benefits are significant segment expenses. The accounting policies of the segments are substantially similar to those described in Note 2.

Information about the segments is presented in the following table as of and for the years ended (in thousands):

Reconciliation of Assets	December 31, 2024	December 31, 2023
Total assets for Seneca Savings	$ 280,030	$ 255,667
Total assets for Financial Quest	1,183	1,237
Elimination of intercompany receivables	(274)	(179)
Total consolidated assets	$ 280,939	$ 256,725

17. SEGMENT INFORMATION— (Continued)

	Years Ended December 31,					
	2024			2023		
	Seneca Savings	Financial Quest	Total	Seneca Savings	Financial Quest	Total
INTEREST INCOME						
Total interest income	$ 13,364	$ -	$ 13,364	$ 11,357	$ -	$ 11,357
INTEREST EXPENSE						
Total interest expense	5,230	-	5,230	3,595	-	3,595
Net interest income after provision for credit losses	7,828	-	7,828	7,487	-	7,487
NONINTEREST INCOME						
Service fees	123	-	123	118	-	118
Income from financial services	-	925	925	-	594	594
Fee income	699	-	699	690	-	690
Gain on sale of fixed assets	6	-	6	-	-	-
Earnings on bank-owned life insurance	26	-	26	41	-	41
Net loss on sales of available-for-sale securities	-	-	-	(51)	-	(51)
Net gains on sale of residential mortgage loans	87	-	87	56	-	56
Total noninterest income	941	925	1,866	854	594	1,448
NONINTEREST EXPENSE						
Compensation and employee benefits	4,476	427	4,903	3,891	367	4,258
Core processing	1,446	-	1,446	1,398	-	1,398
Premises and equipment	742	24	766	739	24	763
Professional fees	232	-	232	211	-	211
Postage & office supplies	181	3	184	171	3	174
FDIC premiums	118	-	118	87	-	87
Advertising	344	7	351	337	4	341
Director fees	156	3	159	168	1	169
Other	519	200	719	571	69	640
Total noninterest expense	8,214	664	8,878	7,573	468	8,041
Income before provision for income taxes	555	261	816	764	126	894
PROVISION FOR INCOME TAXES	104	-	104	139	-	139
Net income	$ 451	$ 261	$ 712	$ 629	$ 126	$ 755

Corporate and Shareholder Information

CORPORATE HEADQUARTERS

35 Oswego St,
Baldwinsville, NY 13027
Phone: 315-638-0233
Fax: 315-638-9871
www.senecasavings.com

SUBSIDIARIES

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Financial Quest

TRANSFER AGENT

EQ
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E-mail: helpAST@equiniti.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Bonadio Group
432 North Franklin St. #60
Syracuse, NY 13204

SEC COUNSEL

Luse Gorman, PC
5335 Wisconsin Ave. N.W. Suite 780
Washington, D.C. 20015

STOCK EXCHANGE

Over the - Counter Bulletin Board (OTCBB)

INVESTOR AND SHAREHOLDER INFORMATION

Requests for company information or to receive a copy of this Annual Report to Shareholders without charge may be sent to:

Seneca Financial Corp.
Investor Relations
35 Oswego Street
Baldwinsville, NY 13027

Directors and Executive Management

Seneca Financial Corp.

Directors

William Le Beau

Kimberly Boynton

Michael Duteau

Vincent Fazio

James Hickey

Joseph G. Vitale

Mark Zames, Chairman

Seneca Savings

Senior Management

Joseph G. Vitale
President & Chief Executive Officer

Vincent Fazio
EVP & Chief Financial Officer

Angelo Testani
SVP Commercial Lending

Laurie L. Ucher
SVP Retail Banking

Jamie Nastri
SVP Operations

Gregory Boshart
SVP Financial Quest

ANNUAL MEETING OF SHAREHOLDERS

Tuesday, May 20, 2025
10:00 AM EST
Seneca Financial Corp.
35 Oswego Street
Baldwinsville, NY 13027

SENECA
FINANCIAL CORP.