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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2023
OR

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

For the transition period from _____________ to _______________

Commission File Number: 001-39180

Bogota Financial Corp.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**84-3501231**
(State or other jurisdiction of incorporation or organization	**(I.R.S. Employer Identification Number)**
819 Teaneck Road, Teaneck, New Jersey	**07666**
(Address of principal executive offices)	**(Zip code)**

(201) 862-0660
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act: None

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

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

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

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

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

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

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

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

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

As of June 30, 2023, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was $50.0 million.

As of March 28, 2024 there were 13,246,147 outstanding shares of the registrant's common stock, of which 8,504,556 shares are owned by Bogota Financial, MHC.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Proxy Statement for the 2024 Annual Meeting of Stockholders (Part III)

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Forward Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "contemplate," "continue," "potential," "target" and words of similar meaning. These forward-looking statements include, but are not limited to:

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

These forward-looking statements are based on the current beliefs and expectations of our management and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Accordingly, you should not place undue reliance on such statements. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this Annual Report on Form 10-K.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market area, that are worse than expected, including as a result of employment levels and labor shortages, and the effect of inflation, a potential recession or slowed economic growth caused by supply chain disruptions or otherwise;
- changes in liquidity, including the size and compositions of our deposit portfolio and the percentage of uninsured deposits;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for credit losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- changes in monetary or fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board;
- our ability to continue to implement our business strategies;
- competition among depository and other financial institutions;
- cyber attacks, computer viruses and other technological risks that may breach the security of our website or other systems or those of third parties upon which we rely to obtain unauthorized access to confidential information and destroy data or disable our systems;
- technological changes that may be more difficult or expensive than expected;
- the ability of third-party providers to perform their obligations to us;
- inflation and changes in market interest rates that reduce our margins and yields, reduce the fair value of financial instruments or reduce our volume of loan originations or increase the level of defaults, losses and prepayments on loans we have made and make whether held in portfolio or sold in the secondary market;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees, Federal Deposit Insurance Corporation assessments and capital requirements;
- our ability to manage market risk, credit risk and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities or systems we may acquire, as well as new management personnel or customers, and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees;
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own; and
- the continued impact of the COVID-19 pandemic on our financial conditions and results of operations.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please also see "Item 1A. Risk Factors."

PART I

ITEM 1. Business

Bogota Financial Corp.

Bogota Financial Corp. is a Maryland corporation that was formed in September 2019 to be the bank holding company of Bogota Savings Bank as part of the mutual holding company reorganization of Bogota Savings Bank. Other than holding the common stock of Bogota Savings Bank, and making a loan to the employee stock ownership plan of Bogota Savings Bank, Bogota Financial Corp. does not engage in any other business activities. Bogota Financial Corp.'s executive offices are located at 819 Teaneck Road, Teaneck, New Jersey 07666, and its telephone number is (201) 862-0660.

Bogota Financial Corp. completed its stock offering in connection with the mutual holding company reorganization of Bogota Savings Bank on January 15, 2020. The Company sold 5,657,735 shares of common stock at $10.00 per share for gross proceeds of $56.6 million. In connection with the reorganization, the Company also issued 263,150 shares of common stock and $250,000 in cash to Bogota Savings Bank Charitable Foundation, Inc., and 7,236,640 shares of common stock to Bogota Financial, MHC, its New Jersey-chartered mutual holding company.

Bogota Financial Corp. does not own or lease any property. We employ as officers of Bogota Financial Corp. only persons who are officers of Bogota Savings Bank. However, we will use the support staff of Bogota Savings Bank from time to time. These individuals will not be separately compensated by Bogota Financial Corp. Bogota Financial Corp. may hire additional employees, as appropriate, to the extent it expands its business.

Bogota Financial, MHC is subject to comprehensive regulation and examination by the New Jersey Department of Banking and Insurance (the "NJDBI") and the Federal Reserve Board.

Bogota Financial, MHC

Bogota Financial, MHC was formed in January 2020 as a New Jersey-chartered mutual holding company in connection with the reorganization of Bogota Savings Bank into the "two-tier" mutual holding company form of organization. Bogota Financial, MHC will, for as long as it is in existence, own a majority of the outstanding shares of Bogota Financial Corp.'s common stock. As a mutual holding company, Bogota Financial, MHC is a non-stock company.

Bogota Financial, MHC's principal assets are the common stock of Bogota Financial Corp. it received in the reorganization and offering and $50,000 cash in initial capitalization. Presently, it is expected that the only business activity of Bogota Financial, MHC will be to own a majority of Bogota Financial Corp.'s common stock. Bogota Financial, MHC is subject to comprehensive regulation and examination by the NJDBI and the Federal Reserve Board.

Bogota Savings Bank

Founded in 1893, Bogota Savings Bank is a New Jersey-chartered savings bank that operates from six offices located in Bogota, Hasbrouck Heights, Newark, Oak Ridge, Parsippany and Teaneck, New Jersey and a loan production office in Spring Lake, New Jersey. The Bank plans to open a seventh branch in Upper Saddle River, New Jersey in the 2nd quarter. We attract deposits from the general public and municipalities and use those funds along with advances from the Federal Home Loan Bank of New York and funds generated from operations to originate one- to four-family residential real estate loans and commercial real estate and multi-family loans and, to a lesser extent, consumer loans, commercial and industrial loans and construction loans. We also invest in securities, which have historically consisted primarily of U.S. Government and agency obligations, municipal obligations, corporate bonds and mortgage-backed securities. We offer a variety of deposit accounts, including demand accounts, savings accounts, money market accounts and certificate of deposit accounts.

At December 31, 2023, we had consolidated total assets of $939.3 million, total deposits of $625.3 million and total equity of $137.2 million. Bogota Savings Bank is subject to comprehensive regulation and examination by the NJDBI and the Federal Deposit Insurance Corporation (the "FDIC"). Our website address is *www.bogotasavingsbank.com*. Information on this website is not and should not be considered a part of this Annual Report on Form 10-K.

Market Area

Our branches, including our corporate office, are located in Bergen, Morris and Essex Counties, although we consider our lending area to generally also encompass Monmouth and Ocean Counties in New Jersey and the surrounding areas. Bergen County ranks as the most populous county in New Jersey (out of 21 counties) with a population of approximately 953,000 compared to an estimated population of 849,000 for Essex County, 644,000 for Monmouth County, 656,000 for Ocean County, 511,000 for Morris County and 9.3 million for the entire state as of December 31, 2023 according to U.S. Bureau of Labor Statistics. The economy in our primary market area has benefited from being varied and diverse, with a broad economic base. Bergen, Essex, Monmouth, Ocean and Morris Counties have a median household income of approximately $82,000, $55,000, $82,000, $60,000 and $97,000, respectively, as of December 31, 2023, according to U.S. Bureau of Labor Statistics. The median household income for New Jersey is approximately $92,000 and the median household income is approximately $75,000 for the United States. As of December 2023, the unemployment rate was 2.7% for Bergen County, 4.0% for Essex County, 2.6% for Monmouth County, 3.1% for Ocean County and 2.3% for Morris County, compared to 4.8% for New Jersey and a national rate of 3.7% according to US Bureau of Labor Statistics.

Competition

We face significant competition for deposits and loans. Our most direct competition for deposits has come historically from the numerous financial institutions operating in our market area (including other community banks and credit unions), many of which are significantly larger than we are and have greater resources. We also face competition for investors' funds from other sources such as brokerage firms, money market funds and mutual funds, as well as from securities offered by the federal government, such as Treasury bills. Based on FDIC data at June 30, 2023, (the latest date for which information is available), we had 0.85% of the FDIC-insured deposit market share in Bergen County, which was the 19th largest market share among the 42 institutions with offices in the county. Based on FDIC data at June 30,2023, we had 0.06% of the FDIC-insured deposit market share in Essex County, which was the 31st largest market share among the 31 institutions with offices in the county. Based on FDIC data at June 30, 2023, we had 0.15% of the FDIC-insured deposit market share in Morris County, which was the 24th largest market share among the 30 institutions with offices in the county. Money center banks, such as Bank of America, JP Morgan Chase, Wells Fargo and Citi, and large regional banks, such as TD Bank, M&T Bank and PNC Bank, have a significant presence in the markets that we serve.

Our competition for loans comes primarily from the competitors referenced above and from other financial service providers, such as mortgage companies and mortgage brokers. Competition for loans also comes from the increasing number of non-depository financial service companies participating in the mortgage market, such as insurance companies, securities firms, financial technology companies, specialty finance firms and technology companies.

We expect competition to remain intense in the future as a result of legislative, regulatory and technological changes and the continuing consolidation in the financial services industry. Technological advances, for example, have lowered barriers to entry, allowed banks to expand their geographic reach by providing services over the internet and made it possible for non-depository institutions, including financial technology companies, to offer products and services that traditionally have been provided by banks. Competition for deposits and loans could limit our growth in the future.

Lending Activities

Historically, our lending activities have emphasized one- to four-family residential real estate loans, and such loans continue to comprise the largest portion of our loan portfolio. Other areas of lending include commercial real estate and multi-family loans and, to a much lesser extent, consumer loans, consisting primarily of home equity loans and lines of credit, commercial and industrial loans and construction loans. Subject to market conditions and our asset-liability analysis, we expect to continue to focus on commercial real estate and multi-family lending as part of our effort to diversify the loan portfolio and increase the overall yield earned on our loans. We compete for loans by offering high quality personalized service, providing convenience and flexibility, providing timely responses on loan applications, and by offering competitive pricing.

Loan Portfolio Maturities. The following tables set forth the contractual maturities of our total loan portfolio at December 31, 2023. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The table presents contractual maturities and does not reflect repricing or the effect of prepayments. Actual maturities may differ.

	At December 31, 2023						
	Residential Real Estate	Commercial Real Estate	Multi-Family Real Estate	Construction	Commercial and Industrial	Consumer	Total Loans
				(In thousands)			
Amounts due in:							
One year or less	$ 21	$ 25	$ 248	$ 7,765	$ —	$ 19	$ 8,078
More than one year through five years	19,879	13,384	1,012	28,724	5,711	-	68,710
More than five years through fifteen years	73,575	53,574	46,052	10,774	947	-	184,922
More than fifteen years	392,577	32,848	28,301	2,039	—	-	455,765
Total	$ 486,052	$ 99,831	$ 75,613	$ 49,302	$ 6,658	$ 19	$ 717,475

The following table sets forth our fixed and adjustable-rate loans at December 31, 2023 that are contractually due after December 31, 2024.

	Fixed Rates	Floating or Adjustable Rates	Total
		(In thousands)	
Residential real estate loans	$ 325,644	$ 160,387	$ 486,031
Commercial real estate loans	26,569	73,237	99,806
Multi-family real estate loans	5,395	69,970	75,365
Construction loans	-	41,537	41,537
Commercial and industrial loans	911	5,747	6,658
Consumer loans	-	-	-
Total	$ 358,519	$ 350,878	$ 709,397

Residential Real Estate Loans. Our one- to four-family residential loan portfolio consists of mortgage loans that enable borrowers to purchase or refinance existing homes, most of which serve as the primary residence of the borrower. At December 31, 2023, one- to four-family residential real estate loans totaled $486.1 million, or 67.7% of our total loan portfolio, and consisted of $325.7 million of fixed-rate loans and $160.4 million of adjustable-rate loans. Most of these one- to four-family residential properties are located in our primary market area.

We offer fixed-rate and adjustable-rate residential real estate loans with maturities up to 30 years. The one- to four-family residential mortgage loans that we originate are generally underwritten according to Fannie Mae and Freddie Mac guidelines, and we refer to loans that conform to such guidelines as “conforming loans.” Loans to be sold to other approved investors or secondary market sources are underwritten to their specific requirements. We generally originate both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits. We also originate loans above the conforming limits up to a maximum amount of $2.5 million, which are referred to as “jumbo loans.” We generally underwrite jumbo loans, whether originated or purchased, in a manner similar to conforming loans.

Our adjustable-rate residential real estate loans have interest rates that are fixed for an initial period ranging from one to ten years. After the initial fixed period, the interest rate on adjustable-rate residential real estate loans is generally reset every year based on a contractual spread or margin above the average yield on U.S. Treasury securities. Our adjustable-rate residential real estate loans have initial and periodic caps of 2% on interest rate changes, with a current cap of 5% over the life of the loan.

We originate one- to four-family residential mortgage loans with loan-to-value ratios of up to 80% of the appraised value, depending on the size of the loan. Additionally, we originate residential mortgage loans on townhouses or condominiums with loan-to-value ratios of up to 75% of the appraised value, depending on the size of the loan. Our conforming residential real estate loans may be for up to 90% of the appraised value of the property provided the borrower obtains private mortgage insurance. Additionally, mortgage insurance is required for all mortgage loans that have a loan-to-value ratio greater than 80%. The required coverage amount varies based on the loan-to-value ratio and term of the loan. We only permit borrowers to purchase mortgage insurance from companies that we have approved.

We generally do not offer "interest only" mortgage loans on one- to four-family residential properties or loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. Additionally, we do not offer "subprime loans" (loans that are made with low down-payments to borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (defined as loans having less than full documentation).

Commercial and Multi-Family Real Estate Loans. At December 31, 2023, we had $175.4 million in commercial and multi-family real estate loans, representing 24.5% of our total loan portfolio. Our commercial real estate loans are secured primarily by office buildings, industrial facilities, retail facilities and other commercial properties, substantially all of which are located in our primary market area. At December 31, 2023, commercial real estate loans totaled $99.8 million, of which $29.6 million was owner-occupied real estate and $70.2 million was secured by income producing, or non-owner-occupied real estate.

We generally originate commercial real estate loans with maximum terms of ten years based on a 25-year amortization schedule, and loan-to-value ratios of up to 70% of the appraised value of the property for loans that are originated in-house and 60% of the appraised value of the property for loans received from brokers. Our commercial real estate loans are offered with fixed or adjustable interest rates. Interest rates on our adjustable-rate loans generally adjust every three, five, seven and ten years and the interest rate is indexed to the Federal Home Loan Bank advance rate, plus a margin, subject to an interest rate floor. All of our commercial real estate loans are subject to our underwriting procedures and guidelines, including requiring borrowers to generally have three months of operating expenses and loan payment reserves in a liquid account with us. At December 31, 2023, our largest commercial real estate loan totaled $9.1 million and was secured by an office building located in our primary market area. At December 31, 2023, this loan was performing in accordance with its original terms.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications, experience and financial condition of the borrower (including credit history), the value and condition of the mortgaged property securing the loan, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, among other factors, we consider the net operating income of the mortgaged property before debt service and depreciation, the debt service coverage ratio (the ratio of net operating income to debt service) to ensure that it is at least 1.25x of the monthly debt service, and the ratio of the loan amount to the appraised value of the mortgaged property. Our commercial real estate loans are generally appraised by outside independent appraisers approved by the board of directors. Personal guarantees are often obtained from commercial real estate borrowers. Each borrower's financial information on such loans is monitored on an ongoing basis by requiring periodic financial statement updates.

At December 31, 2023, multi-family real estate loans totaled $75.6 million representing 10.5% of our total loan portfolio. Our multi-family real estate loans are generally secured by properties consisting of five or more rental units within our market area. We originate multi-family real estate loans with fixed or adjustable interest rates with terms and amortization periods generally of up to 25 years. Interest rates on our adjustable-rate multi-family real estate loans are generally indexed to the Federal Home Loan Bank advance rate, plus a margin. At December 31, 2023, our largest multi-family real estate loan had an outstanding balance of $4.7 million and was secured by an apartment building located in our primary market area. At December 31, 2023, this loan was performing according to its original terms.

In underwriting multi-family real estate loans, we require a debt service coverage ratio of at least 1.20x and consider several factors, including the age and condition of the collateral, the financial resources and income level of the borrower and the borrower's experience in owning or managing similar properties. Multi-family residential real estate loans have loan-to-value ratios of up to 75% of the appraised value of the property securing the loans for loans that are originated in-house and 60% of the appraised value of the property for loans received from brokers. All of our multi-family real estate loans are subject to our underwriting procedures and guidelines, including requiring borrowers to generally have three months of operating expenses and loan payment reserves in a liquid account with us. The borrower's financial information on such loans is monitored on an ongoing basis by requiring periodic financial statement updates.

Consumer Loans. We offer consumer loans to customers residing in our primary market area. Our consumer loans consist primarily of home equity loans and lines of credit. At December 31, 2023, consumer loans totaled $29.4 million, representing less than 4.1% of our total loan portfolio.

Home equity loans and lines of credit are multi-purpose loans used to finance various home or personal needs, where a one- to four-family primary or secondary residence serves as collateral. We generally originate home equity loans of up to $500,000 with a maximum loan-to-value ratio of 70% (75% if Bogota Savings Bank holds the first lien position) and lines of credit of up to $300,000, with a maximum loan-to-value ratio of 80%, and terms of up to 30 years. Home equity lines of credit have adjustable rates of interest that are based on the prime interest rate published in *The Wall Street Journal*, plus a margin, and reset monthly. Home equity lines of credit are secured by residential real estate in a first or second lien position.

The procedures for underwriting consumer loans include assessing the applicant's payment history on other indebtedness, the applicant's ability to meet existing obligations and payments on the proposed loan, and the loan-to-value ratio. Although the applicant's creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

Construction Loans. We also originate loans to finance the construction of one- to four-family residential properties and for the acquisition of land. At December 31, 2023, residential construction loans totaled $49.3 million, or 6.9% of our total loan portfolio. Most of these loans are secured by properties located in our primary market area.

Our residential construction loans are generally structured as two-year interest-only balloon loans. The interest rate is generally a fixed rate based on an index rate, plus a margin. Our construction-to-permanent loans are generally structured as interest-only, adjustable-rate loans with a duration of six to twelve months for the construction phase. The interest rate on these loans is based on the prime interest rate as published in *The Wall Street Journal*, plus a margin. Construction loan-to-value ratios for one- to four-family residential properties generally will not exceed 80% of the appraised value of the property on a completed basis, while loan-to-value ratios for land acquisition financing will not exceed 50% of the value of the land for an unimproved lot and 75% of the value of the land for an improved lot. Once the construction project is satisfactorily completed, we look to provide permanent financing.

We also offer loans primarily to established local developers to finance the construction of commercial and multi-family properties or to acquire land for development of commercial and multi-family properties. We also provide construction loans primarily to local developers for the construction of one- to four-family residential developments. At December 31, 2023, we had a single commercial construction loan that totaled $11.0 million, or 1.5% of our total loan portfolio. This loan was secured by an office building located in our primary market area. At December 31, 2023, this loan was non-performing as of December 31, 2023. We also had undrawn amounts on the commercial construction loan totaling $16.8 million at December 31, 2023.

Historically, our commercial construction loans are generally interest-only loans that provide for the payment of interest during the construction phase, which is usually between 12 to 24 months. The interest rate is generally adjustable based on an index rate, typically the prime interest rate as published in *The Wall Street Journal*, plus a margin. At the end of the construction phase, the loan generally converts to a permanent commercial real estate mortgage loan, but in some cases it may be payable in full. However, our loans for the construction of one- to-four-family residential properties may convert to permanent residential real estate loans. Loans can be made with a maximum loan-to-value ratio of 75% of the appraised market value upon completion of the project or a maximum loan-to-value ratio of 50% for raw land.

Before making a commitment to fund a commercial construction loan, we require an appraisal of the property by an independent licensed appraiser. The construction phase is carefully monitored to minimize our risk. All construction projects must be completed in accordance with approved plans and approved by the municipality in which they are located. Loan proceeds are disbursed periodically in increments as construction progresses and as inspections by our approved inspectors warrant.

Commercial and Industrial Loans. We offer commercial loans and adjustable-rate lines of credit up to $500,000 to small and medium-sized businesses in our market area. These loans are generally secured by accounts receivable, inventory or other business assets, and we may support this collateral with liens on real property. At December 31, 2023, commercial and industrial loans totaled $6.7 million, or 0.9% of total loans.

Commercial lending products include revolving lines of credit and term loans. Our commercial lines of credit are typically made with adjustable interest rates, indexed to the prime interest rate published in *The Wall Street Journal*, plus a margin, and we can demand repayment of the amount due at any time after it is due. Term loans are generally made with fixed interest rates, indexed to the comparable Federal Home Loan Bank of New York amortizing advance indications, plus a margin, and are for terms up to seven years.

When making commercial and industrial loans, we require a debt service coverage ratio of at least 1.25x and we review and consider the financial statements of the borrower, our lending history with the borrower, the borrower's debt service capabilities, the projected cash flows of the business and the value of the collateral, accounts receivable, inventory and equipment. Depending on the collateral used to secure the loans, commercial and industrial loans are made up to 70% of the value of the collateral securing the loan.

We generally do not make unsecured commercial and industrial loans. Personal guarantees are obtained from commercial and industrial borrowers.

Loan Underwriting Risks

Adjustable-Rate Loans. While we anticipate that adjustable-rate loans will better offset the adverse effects of an increase in interest rates as compared to fixed-rate loans, an increased monthly payment required of adjustable-rate loan borrowers in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a high interest rate environment. In addition, although adjustable-rate loans make our asset base more responsive to changes in interest rates, the extent of this interest sensitivity is somewhat limited by the annual and lifetime interest rate adjustment limits on adjustable-rate residential real estate loans.

Commercial and Multi-Family Real Estate Loans. Loans secured by commercial and multi-family real estate generally have larger balances and involve a greater degree of risk than one- to four-family residential real estate loans. Of primary concern in commercial and multi-family real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. Payments on loans secured by income properties often depend on the successful operation and management of the properties. As a result, repayment of such loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than residential real estate loans. To monitor cash flows on income properties, we require borrowers and loan guarantors, if any, to provide annual financial statements on commercial and multi-family real estate loans. In reaching a decision whether to make a commercial or multi-family real estate loan, we consider and review a global cash flow analysis of the borrower and consider the net operating income of the property, the borrower's expertise and credit history and the value of the underlying property. We generally have required that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.25x. We require a Phase 1 environmental report when we believe a possibility exists that hazardous materials may have existed on the site, or the site may have been impacted by adjoining properties that handled hazardous materials.

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

Construction Loans. Our construction loans are based upon our estimates of costs to complete a project and the value of the completed project. Underwriting is focused on the borrowers' financial strength, credit history and demonstrated ability to produce a quality product and effectively market and manage its operations. All construction loans for which the builder does not have a binding purchase agreement must be approved by our internal loan committee.

Construction lending involves additional risks when compared to permanent residential lending because funds are advanced upon the security of the project, which is of uncertain value before its completion. Because of the uncertainties inherent in estimating construction costs, it is difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. This type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. In addition, generally during the term of a construction loan, interest may be funded by the borrower or disbursed from an interest reserve set aside from the construction loan budget. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraised value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss. We use a discounted cash flow analysis to determine the value of any construction project of five or more units. Our ability to continue to originate a significant amount of construction loans is dependent on the strength of the housing market in our market areas.

Commercial and Industrial Loans. Unlike residential real estate loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be readily ascertainable, commercial business loans have higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, and the collateral securing these loans may fluctuate in value. Our commercial business loans are originated primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral consists of real estate, accounts receivable, inventory or equipment. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation value of the pledged collateral and enforcement of a personal guarantee, if any. As a result, the availability of funds for the repayment of commercial business loans may depend substantially on the success of the business itself. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Originations, Purchases and Participations of Loans

Lending activities are conducted by our loan personnel operating at our main office, branch office locations and loan production office. We also obtain referrals from existing or past customers and from accountants, real estate brokers, builders and attorneys. All loans that we originate or purchase are underwritten pursuant to our policies and procedures, which incorporate Fannie Mae underwriting guidelines to the extent applicable for residential loans. Our ability to originate fixed-or adjustable-rate loans depends upon the relative customer demand for such loans, which is affected by current and anticipated future market interest rates. Our loan origination and purchase activity may be adversely affected by a rising interest rate environment, which typically results in decreased loan demand.

As a supplement to our in-house loan originations of one- to four-family residential real estate loans, we entered into agreements with unaffiliated mortgage brokers as a source for additional residential real estate loans. We currently work with five different mortgage brokers, none of which we have an ownership interest in or any common employees or directors. Three of the mortgage brokers are located in Morris County, New Jersey, and one mortgage broker is located in each of Hudson and Ocean County, New Jersey. These mortgage brokers fund the one- to four-family residential real estate loans and then sell them to us following our underwriting analysis. We use the same parameters in evaluating these loans as we do for our in-house loan originations of one- to four-family residential real estate loans.

For each purchased loan, we generally pay a fixed fee based on the loan balance. For the years ended December 31, 2023 and 2022, we purchased for our portfolio $15.2 million and $147.9 million, respectively, of loans from these mortgage brokers. As part of purchasing the loans, we acquire the servicing rights to the loans. The purchased loans are acquired from these mortgage brokers without recourse or any right to require the mortgage broker to repurchase the loans. The fixed aggregate fee we pay to acquire the loan and servicing rights are added to the loan balance and amortized over the contractual life of the loan under the interest method.

We purchase for our portfolio both fixed- and adjustable rate one- to four-family real estate loans, with maturities up to 30 years, with a per loan limit of $1.0 million.

We generally do not purchase whole loans from third parties other than the one- to four-family residential real estate loans described above. However, we purchase participation interests primarily in commercial real estate and multi-family loans where we are not the lead lender. We underwrite our participation interest in the loans that we purchase according to our own underwriting criteria and procedures. At December 31, 2023, the outstanding balances of our loan participations where we are not the lead lender totaled $9.0 million, all of which were commercial or multi-family real estate loans. All such loans were performing according to their original terms at December 31, 2023.

Loan Approval Procedures and Authority

Pursuant to New Jersey law, the aggregate amount of loans that Bogota Savings Bank is permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of Bogota Savings Bank's capital, surplus fund and undivided profits (25% if the amount in excess of 15% is secured by "readily marketable collateral"). At December 31, 2023, based on the 15% limitation, Bogota Savings Bank's loans-to-one-borrower limit was approximately $19.7 million. At December 31, 2023, our largest loan relationship with a single borrower was for $16.7 million, which consisted of four loans secured by various commercial real estate and multi-family properties in our primary market area. The underlying loans were performing in accordance with their terms on that date.

Our lending activities follow written, non-discriminatory, underwriting standards and loan origination procedures established by our board of directors and management. The board of directors has granted loan approval authority to certain officers up to prescribed limits, depending on the officer's title and experience and the type of loan.

Loans in excess of individual officers' lending limits require approval of our Internal Loan Committee, which is comprised of our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Executive Vice President and Chief Lending Officer. The Internal Loan Committee can approve individual loans of up to prescribed limits, depending on the type of loan. Loans that involve policy exceptions also must be approved by the Internal Loan Committee and ratified by the board of directors.

Loans in excess of the Internal Loan Committee's loan approval authority require the approval of the board of directors.

Allowance for Credit Losses The allowance for credit losses is maintained at a level which, in management's judgment, is adequate to absorb expected future credit losses in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the size and composition of the portfolio, delinquency statistics, geographic and industry concentrations, the adequacy of the underlying collateral, the financial strength of borrowers, results of internal loan reviews, trends in historical loss experience, individually evaluated loans, and economic conditions and forecasts and other qualitative and quantitative factors which could affect potential credit losses. Allowances for loans that are individually evaluated are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for credit losses, which is charged to expense and reduced by full and partial charge-offs, net of recoveries.

In addition, the NJDBI and the Federal Deposit Insurance Corporation periodically review our allowance for credit losses and as a result of such reviews, they may require us to adjust our allowance for credit losses or recognize loan charge-offs. Upon adoption of the CECL method of calculating the ACL on January 1, 2023, the Bank recorded a one-time decrease, net of tax, in retained earnings of $222,000, an increase to the ACL of $157,000 and, an increase in the reserve for unfunded liabilities of $152,000.

Allowance for Credit Losses**.** The following table sets forth activity in our allowance for credit losses and certain asset quality ratios for the periods indicated.

	At or for the Years Ended December 31,	
	2023	**2022**
	(Dollars in thousands)	
Gross loans	$ 717,475	$ 721,604
Net loans	714,689	719,026
Average loans	713,799	638,679
Non-accrual loans	12,776	857
Allowance at beginning of year	2,861	2,153
Provision (recovery) for credit losses	(125)	425
Charge offs:		
Residential real estate loans	—	—
Commercial and multi-family real estate loans	—	—
Construction loans	—	—
Consumer loans	—	—
Total charge-offs	—	—
Recoveries:		
Residential real estate loans	—	—
Commercial and multi-family real estate loans	—	—
Construction loans	—	—
Consumer loans	—	—
Total recoveries	—	—
Net recoveries	—	—
Allowance for credit losses at end of period	$ 2,786	$ 2,578
Allowance for credit losses to non-accrual loans at end of period	21.81%	300.82%
Allowance for credit losses to total loans outstanding at end of period	0.39%	0.36%
Non-accrual loans to total loans	1.78%	0.12%
Net recoveries to average loans outstanding during period	—%	—%
Net recoveries to average residential real estate loans outstanding during period	—%	—%
Net recoveries to average commercial and multi-family real estate loans outstanding during period	—%	—%
Net recoveries to average construction loans outstanding during period	—%	—%
Net recoveries to average commercial and industrial loans outstanding during period	—%	—%
Net recoveries to average consumer loans outstanding during period	—%	—%

Allocation of Allowance for Credit Losses. The following tables sets forth the allowance for credit losses allocated by loan category and the percent of the allowance in each category to the total allocated allowance at the dates indicated. The allowance for credit losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories. The effect of the adoption of ASC 326 on the loan portfolio segments and the ACL by portfolio segment was:

	Pre Adoption	The effect of adoption	Post Adoption
Assets		(Dollars in thousands)	
ACL on loans			
Residential First Mortgage	$ 1,603	$ 212	$ 1,815
Commercial and Multi-Family Real Estate	615	(615)	—
Commercial Real Estate	—	523	523
Multi-Family Real Estate	—	260	260
Construction	258	1	259
Commercial and Industrial	4	—	4
Home Equity and Other Consumer	98	(98)	—
Liabilities			
ACL for unfunded commitments	—	152	152
Total	$ 2,578	$ 435	$ 3,013

	At December 31,					
	2023			2022		
	Allowance for Credit Losses	Percent of Allowance in Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Allowance in Category to Total Allocated Allowance	Percent of Loans in Each Category to Total Loans
			(Dollars in thousands)			
Residential real estate loans	$ 1,852	66.47%	67.75%	$ 1,602	62.14%	64.59%
Commercial and multi-family real estate loans	—	—	—	615	23.86	22.50
Commercial real estate loans	437	15.69	13.91	—	—	—
Multi-family real estate loans	317	11.38	10.54	—	—	—
Construction loans	158	5.67	6.87	259	10.05	8.57
Commercial and industrial loans	22	0.79	0.93	4	0.16	0.23
Consumer loans	—	—	—	98	3.8	4.44
Total	$ 2,786	100.00%	100.00%	$ 2,578	100.00%	100.00%

Investment Activities

General. Our board of directors is responsible for approving and overseeing our investment policy, which is reviewed at least annually. This policy dictates that investment decisions be made based on liquidity needs, potential returns, consistency with our interest rate risk management strategy and the need for an adequate diversification of assets. An investment committee, consisting of authorized officers, selected by the board of directors, oversees our investing activities and strategies. The authorized officers are our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer. The board has designated our Executive Vice President and Chief Financial Officer as our investment officer, who is primarily responsible for daily investment activities. All purchases and sales of securities must be authorized by two officers on the investment committee. Security purchases are limited to no more than $10.0 million a day and cannot amount to more than 25% of the investment portfolio in any given month, in each case without the unanimous approval of the members of the investment committee. The board of directors reviews the activities of the investment committee at each of its meetings.

Our current investment policy authorizes us to invest in various types of investment securities and liquid assets, including U.S. Treasury obligations, securities of various government-sponsored enterprises, residential mortgage-backed securities, commercial mortgage-backed securities collateralized mortgage obligations and real estate mortgage investment conduits, municipal securities (limited to no more than 7.5% of our capital), overnight deposits and federal funds, bond anticipation notes with the Borough of Bogota or the Township of Teaneck (limited to no more than 10.0% of our capital), investment grade corporate bonds (limited to no more than 10.0% of our capital), investment grade banker's acceptances and commercial paper with a maturity of no more than 270 days (limited to no more than 5.0% of our capital), certificates of deposit of federally insured institutions and depositor institution senior debt and capital securities (limited to no more than 10.0% of our capital and no more than 3.0% of our capital with a single issuer). We also are required to maintain an investment in Federal Home Loan Bank of New York stock, which investment is based on the level of our Federal Home Loan Bank borrowings. We do not engage in any investment hedging activities or trading activities, nor do we purchase any high-risk mortgage derivative products, corporate junk bonds, and certain types of structured notes.

Debt securities investment accounting guidance requires that at the time of purchase we designate a security as held to maturity, available for sale, or trading, depending on our ability and intent.

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at December 31, 2023 are summarized in the following table. The weighted average yield is calculated by dividing income, which has not been tax effected on tax-exempt obligations, within each contractual maturity range by the outstanding amount of the related investment. Maturities are based on the final contractual payment dates, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Securities available for sale:											
U.S. government and agency obligations	$ —	—%	$ 6,000	1.69%	$ —	—%	$ —	—%	$ 6,000	$ 5,545	1.69%
Corporate bonds	3,000	4.56	8,265	3.11	1,000	5.50	—	—	12,265	11,819	3.66
Mortgage-backed securities – residential	—	—	213	2.50	111	7.05	40,781	2.53	41,105	35,407	2.54
Mortgage-backed securities – commercial	—	—	1,132	1.20	11,904	2.51	5,718	2.60	18,754	16,117	2.46
Total	$ 3,000	4.56%	$ 15,610	2.42%	$ 13,015	2.78%	$ 46,499	2.54%	$ 78,124	$ 68,888	2.27%
Securities held-to-maturity:											
U.S. government and agency obligations	$ —	—%	$ 10,000	2.23%	$ 3,000	2.00%	$ —	—%	$ 13,000	$ 12,313	2.00%
Corporate bonds	—	—	6,431	6.70	16,295	4.73	4,287	6.19	27,013	24,925	4.95
Municipal securities	—	—	902	1.11	1,591	3.00	508	2.15	3,001	2,682	1.94
Mortgage-backed securities – residential	—	—	383	2.66	2,294	5.19	9,807	1.92	12,484	11,034	2.37
Mortgage-backed securities – commercial	—	—	3,585	2.60	11,048	1.56	2,525	2.04	17,158	14,421	1.98
Total	$ —	—%	$ 21,301	3.60%	$ 34,228	3.43%	$ 17,127	2.96%	$ 72,656	$ 65,375	3.15%

Sources of Funds

General. Deposits have traditionally been our primary source of funds for our lending and investment activities. We also use borrowings, primarily Federal Home Loan Bank of New York advances, to supplement cash flows, as needed. In addition, funds are derived from scheduled loan payments, investment maturities, loan sales, loan prepayments, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and competition.

Deposit Accounts. The substantial majority of our deposits are from depositors who reside in our primary market area. We access deposit customers by offering a broad selection of deposit instruments for individuals, businesses and municipalities. At December 31, 2023, municipal deposits totaled $57.5 million, which represented 9.2% of total deposits.

Deposit account terms vary according to the minimum balance required, the time period that funds must remain on deposit, and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, our liquidity needs, profitability, and customer preferences. We generally review our deposit pricing on a weekly basis and continually review our deposit mix. Our deposit pricing strategy has generally been to offer competitive rates, but generally not the highest rates offered in the market, and to periodically offer special rates to attract deposits of a specific type or with a specific term.

Also, when rates and terms are favorable, we supplement customer deposits with brokered deposits. At December 31, 2023, we had $53.3 million of brokered deposits (63 accounts), which represented 8.5% of total deposits at December 31, 2023 with such funds having a weighted average remaining term to maturity of 36 months. In a rising rate environment, we may be unwilling or unable to pay competitive rates. To the extent that such deposits do not remain with us, they may need to be replaced with borrowings, which could increase our cost of funds and negatively impact our interest rate spread, financial condition and results of operations.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts offered allows us to be competitive in obtaining funds and responding to changes in consumer demand. Based on experience, we believe that our deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits has been and will continue to be significantly affected by market conditions.

The following table sets forth the distribution of total deposit accounts, by account type, and the weighted average rate paid at the dates indicated.

	At December 31,					
	2023			2022		
	Amount	Percent	Average Rate	Amount	Percent	Average Rate
	(Dollars in thousands)					
Noninterest bearing demand accounts	$ 30,555	4.89%	—%	$ 38,653	5.52%	—%
NOW accounts	41,321	6.61	1.90	82,720	11.79	0.88
Money market accounts	14,641	2.34	0.30	30,037	4.28	0.32
Savings accounts	45,555	7.28	1.76	57,408	8.18	0.49
Certificates of deposit	493,275	78.88	4.00	492,593	70.23	2.37
Total	$ 625,347	100.00%	3.42%	$ 701,411	100.00%	1.82%

As of December 31, 2023, the aggregate amount of uninsured deposits (deposits in amounts greater than $250,000, which is the maximum amount for federal deposit insurance) for noninterest bearing demand accounts, NOW accounts and money market accounts, savings accounts and certificates of deposit was $42.1 million, $8.3 million and $135.1 million respectively. As of December 31, 2022, the aggregate amount of uninsured deposits (deposits in amounts greater than or equal to $250,000, which is the maximum amount for federal deposit insurance) for noninterest bearing demand accounts, NOW accounts and money market accounts, savings accounts and certificates of deposit was $68.1 million, $4.4 million and $50.0 million respectively. The amount of uninsured deposits is estimated on a per account basis, actual uninsured deposits may vary when accounts are combined to a single owner. The following table sets forth the maturity of the portion of our certificate of deposit that are in excess of the Federal Deposit Insurance Corporation insurance limit as of December 31, 2023.

	At December 31, 2023
	(In thousands)
Maturity Period:	
Three months or less	$ 44,465
Over three through six months	26,758
Over six through twelve months	47,677
Over twelve months	13,160
Total	$ 132,060

Employees and Human Capital Resources

As of December 31, 2023, we had 68 full-time employees and two part-time employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

We encourage and support the growth and development of our employees and, wherever possible, seek to fill positions by promotion and transfer from within the organization. Continual learning and career development is advanced through annual performance and conversations with employees, internally developed training programs, customized corporate training engagements and educational reimbursement programs. Reimbursement is available to employees enrolled in pre-approved degree or certification programs at accredited institutions that teach skills or knowledge relevant to our business and for seminars, conferences, and other training events employees attend in connection with their job duties.

The safety, health and wellness of our employees is a top priority. We further promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules, keeping the employee portion of health care premiums to a minimum and sponsoring various wellness programs, whereby employees are compensated for incorporating healthy habits into their daily routines.

Employee retention helps us operate efficiently and achieve one of our business objectives, which is being a low-cost provider. We believe our commitment to living out our core values, actively prioritizing concern for our employees' well-being, supporting our employees' career goals, offering competitive wages and providing valuable fringe benefits aids in retention of our top-performing employees. In addition, nearly all of our employees are stockholders of the Company through participation in our Employee Stock Ownership Plan, which aligns employee and stockholder interests by providing stock ownership on a tax-deferred basis at no investment cost to our employees. At December 31, 2023, 38% of our current staff had been with us for five years or more.

Subsidiaries

Bogota Securities Corp. is a New Jersey investment corporation subsidiary formed in 2014 to buy, sell and hold investment securities. The income earned on Bogota Securities Corp.'s investment securities is subject to a lower state tax than that assessed on income earned on investment securities maintained at Bogota Savings Bank.

In 1999, Bogota Savings Bank established Bogota Properties, LLC, a New Jersey-chartered limited liability company to secure, manage and hold foreclosed assets. Bogota Properties, LLC is currently inactive.

Regulation and Supervision

General

As a New Jersey-chartered savings bank, Bogota Savings Bank is subject to comprehensive regulation by the NJDBI, as its chartering authority, and by the Federal Deposit Insurance Corporation. Bogota Savings Bank is a member of the Federal Home Loan Bank of New York and its deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation. Bogota Savings Bank is required to file reports with, and is periodically examined by, the Federal Deposit Insurance Corporation and the NJDBI concerning its activities and financial condition and must obtain regulatory approvals before entering into certain transactions, including mergers with or acquisitions of other financial institutions. This regulatory structure is intended primarily for the protection of the Deposit Insurance Fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies regarding classifying assets and establishing an adequate allowance for loan losses for regulatory purposes.

As a New Jersey-chartered mutual holding company and a bank holding company, Bogota Financial, MHC is regulated and subject to examination by the NJDBI and the Federal Reserve Board. As a bank holding company, Bogota Financial Corp. is also required to comply with the rules and regulations of the Federal Reserve Board and the NJDBI. It is required to file certain reports with the Federal Reserve Board and the NJDBI and is subject to examination by, and the enforcement authority of, the Federal Reserve Board and the NJDBI. Bogota Financial Corp. is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Set forth below is a brief description of material regulatory requirements that are applicable to Bogota Savings Bank, Bogota Financial Corp. and Bogota Financial, MHC. The description is limited to the material aspects of certain statutes and regulations, and is not intended to be a complete list or description of such statutes and regulations and their effects on Bogota Savings Bank, Bogota Financial Corp. and Bogota Financial, MHC.

New Jersey Banking Laws and Supervision

Activity Powers. Bogota Savings Bank derives its lending, investment and other activity powers primarily from the New Jersey Banking Act and its related regulations. Under these laws and regulations, savings banks, including Bogota Savings Bank, generally may, subject to certain limits, invest in:

- real estate mortgages;
- consumer and commercial loans;
- specific types of debt securities, including certain corporate debt securities and obligations of federal, state and local governments and agencies;
- certain types of corporate equity securities; and
- certain other assets.

A savings bank may also make other investments pursuant to "leeway" authority that permits investments not otherwise permitted by the New Jersey Banking Act. Leeway investments must comply with a number of limitations on the individual and aggregate amounts of leeway investments. A savings bank may also exercise trust powers upon approval of the NJDBI. New Jersey savings banks also may exercise those powers, rights, benefits or privileges authorized for national banks or out-of-state banks or for federal or out-of-state savings banks or savings associations, provided that before exercising any such power, right, benefit or privilege, prior approval by the NJDBI by regulation or by specific authorization is required. The exercise of these lending, investment and activity powers is limited by federal law and regulations. See "—Federal Bank Regulation—Activities and Investments" below.

Loan-to-One-Borrower Limitations. With certain specified exceptions, a New Jersey-chartered savings bank may not make loans or extend credit to a single borrower or to entities related to the borrower in an aggregate amount that would exceed 15% of the bank's capital funds. A savings bank may lend an additional 10% of the bank's capital funds if secured by collateral meeting the requirements of the New Jersey Banking Act. Bogota Savings Bank currently complies with applicable loan-to-one-borrower limitations.

Dividends. Under the New Jersey Banking Act, a stock savings bank may declare and pay a dividend on its capital stock only to the extent that the payment of the dividend would not impair the capital stock of the savings bank. In addition, a stock savings bank may not pay a dividend unless the savings bank would, after the payment of the dividend, have a surplus of not less than 50% of its capital stock, or alternatively, the payment of the dividend would not reduce the surplus. Federal law may also limit the amount of dividends that may be paid by Bogota Savings Bank. See "—Federal Bank Regulation—Prompt Corrective Regulatory Action" below.

Minimum Capital Requirements. Regulations of the NJDBI impose on New Jersey-chartered depository institutions, including Bogota Savings Bank, minimum capital requirements similar to those imposed by the Federal Deposit Insurance Corporation on insured state banks. See "—Federal Bank Regulation—Capital Requirements."

Examination and Enforcement. The NJDBI may examine Bogota Savings Bank whenever it considers an examination advisable and it examines Bogota Savings Bank at least every two years. The NJDBI may order any savings bank to discontinue any violation of law or unsafe or unsound business practice and may direct any director, officer, attorney or employee of a savings bank engaged in an objectionable activity, after the NJDBI has ordered the activity to be terminated, to show cause at a hearing before the NJDBI why such person should not be removed. The NJDBI also has authority to appoint a conservator or receiver for a savings bank under certain circumstances such as insolvency or unsafe or unsound condition to transact business.

Federal Bank Regulation

Supervision and Enforcement Authority. Bogota Savings Bank is subject to extensive regulation, examination and supervision by the Federal Deposit Insurance Corporation as the insurer of its deposits.

Bogota Savings Bank must file reports with the Federal Deposit Insurance Corporation concerning its activities and financial condition in addition to obtaining regulatory approvals before entering into certain transactions such as mergers with, or acquisitions of, other financial institutions. There are periodic examinations by the Federal Deposit Insurance Corporation to evaluate Bogota Savings Bank's safety and soundness and compliance with various regulatory requirements.

The regulatory structure gives the Federal Deposit Insurance Corporation extensive discretion in connection with its supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of an adequate allowance for loan losses for regulatory purposes. The enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations, breaches of fiduciary duty and unsafe or unsound practices. The Federal Deposit Insurance Corporation may also appoint itself as conservator or receiver for an insured bank under specified circumstances, including: (1) insolvency; (2) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (3) the existence of an unsafe or unsound condition to transact business; (4) insufficient capital; or (5) the incurrence of losses that will deplete substantially all of the institution's capital with no reasonable prospect of replenishment without federal assistance.

Capital Requirements. Federal regulations require federally insured depository institutions to meet several minimum capital standards: Tier 1 capital to average assets of 4.00%, common equity tier 1 capital to risk weighted assets of 4.50%, tier 1 capital to risk weighted assets of 6.00% and total capital to risk weighted assets of 8.00%.

Common equity tier 1 capital, tier 1 capital, total capital, risk weighted assets and average assets are defined in the Basel III rules and applicable federal regulation. The Bogota Savings Bank opted to exclude accumulated other comprehensive income components from common equity tier 1 and total regulatory capital. Failure to meet the minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by the Federal Deposit Insurance Corporation that, if undertaken, could have a direct material effect on Bogota Savings Bank.

In addition to establishing the minimum regulatory capital requirements, federal regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

The Economic Growth, Regulatory Relief, and Consumer Protection Act required the federal banking agencies, including the Federal Deposit Insurance Corporation, to establish a community bank leverage ratio ("CBLR") for financial institutions and financial institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria ("qualifying community banking organizations"). In 2020, the federal banking agencies adopted a final rule that established 9% as the CBLR, for 2022 and thereafter.

Qualifying community banking organizations may opt into and out of the CBLR framework on their quarterly call reports. Qualifying community banking organizations that elect to use the CBLR framework and that meet the specified capital requirement, which starting in 2022 is maintaining a leverage ratio of greater than 9%, are considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules and will be considered to have met the well capitalized ratio requirements under the prompt corrective action laws and regulations. The agencies reserved the authority to disallow the use of the CBLR framework by a financial institution or holding company, based on the risk profile of the organization.

Bogota Savings Bank elected to use the CBLR framework as of December 31, 2022. Bogota Savings Bank's capital management policy is designed to build and maintain capital levels that exceed regulatory standards and appropriately provide for growth. The leverage ratio of Bogota Savings Bank at December 31, 2023 was 13.96%; see Note 13 for more information.

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

Activities and Investments. Federal law provides that a state-chartered bank insured by the Federal Deposit Insurance Corporation generally may not engage as a principal in any activity not permissible for a national bank to conduct or make any equity investment of a type or in an amount not authorized for national banks, notwithstanding state law, subject to certain exceptions. For example, state-chartered banks may, with the Federal Deposit Insurance Corporation's approval, continue to exercise state authority to invest in common or preferred stocks listed on a national securities exchange or the Nasdaq Market and to invest in the shares of an investment company registered under the Investment Company Act of 1940. The maximum permissible investment is 100% of Tier 1 Capital, as specified by the Federal Deposit Insurance Corporation's regulations, or the maximum amount permitted by New Jersey law, whichever is less.

In addition, the Federal Deposit Insurance Corporation is authorized to permit state-chartered banks and savings banks to engage in state-authorized activities or investments not permissible for national banks (other than non-subsidiary equity investments) if they meet all applicable capital requirements and it is determined that such activities or investments do not pose a significant risk to the Deposit Insurance Fund. The Federal Deposit Insurance Corporation has adopted procedures for institutions seeking approval to engage in such activities or investments. In addition, a state nonmember bank may control a subsidiary that engages in activities as principal that would only be permitted for a national bank to conduct in a "financial subsidiary" if the bank meets specified conditions and deducts its investment in the subsidiary for regulatory capital purposes.

Interstate Banking and Branching. Federal law permits well-capitalized and well managed bank holding companies to acquire banks in any state, subject to Federal Reserve Board approval, certain concentration limits and other specified conditions. Interstate mergers of banks are also authorized, subject to regulatory approval and other specified conditions. In addition, banks may establish de novo branches on an interstate basis at any location where a bank chartered under the laws of the branch location host state may establish a branch.

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

The Federal Deposit Insurance Corporation has adopted regulations to implement the prompt corrective action legislation. An institution is considered "well capitalized" if it has a CBLR ratio of 9.0% or greater, starting in 2022, or if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 capital ratio of 6.5% or greater. At December 31, 2023, Bogota Savings Bank was classified as a "well capitalized" institution.

At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, interest rates paid on deposits, payment of dividends, and acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan in an amount equal to the lesser of 5.0% of the institution's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. If an "undercapitalized" bank fails to submit an acceptable capital restoration plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks must comply with one or more of a number of additional restrictions, including an order by the Federal Deposit Insurance Corporation to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. "Critically undercapitalized" institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it is determined to be critically undercapitalized.

As noted above, federal legislation has modified the Basel III requirements for qualifying banks with less than $10.0 billion in assets who elect to follow the CBLR framework.

Transactions with Affiliates and Federal Reserve Regulation W. Transactions between banks and their affiliates are governed by federal law. Generally, Section 23A of the Federal Reserve Act and the Federal Reserve Board's Regulation W, as made applicable to Bogota Savings Bank through Section 18(j) of the Federal Deposit Insurance Act and Federal Deposit Insurance Corporation regulation, prohibit a bank and its subsidiaries from engaging in a "covered transaction" if the aggregate amount of covered transactions outstanding with the affiliate, including the proposed transaction, would exceed an amount equal to 10.0% of the bank's capital stock and surplus, or if the aggregate amount of covered transactions outstanding with all affiliates, including the proposed transaction, would exceed an amount equal to 20.0% of the bank's capital stock and surplus. The term "covered transaction" includes making loans to, purchasing assets from, and issuing guarantees to, an affiliate, and other similar transactions. In addition, loans or other extensions of credit by a bank to an affiliate are required to be collateralized according to the requirements set forth in Section 23A of the Federal Reserve Act. Section 23B of the Federal Reserve Act and Regulation W apply to "covered transactions" as well as to certain other transactions, including the provision of services and selling of assets to an affiliate, and require that all such transactions be on terms and under circumstances that are substantially the same, or at least as favorable, to the institution or its subsidiary as those prevailing at the time for comparable transactions with or involving a non-affiliate.

Loans to Insiders and Federal Reserve Regulation O. A bank's loans to its, and its affiliates', executive officers, directors, any owner of 10% or more of its stock (each, an insider) and any of certain entities controlled by any such person (an insider's related interests) as well as loans to insiders of affiliates and such insiders' related interests are subject to the conditions and limitations imposed by Section 22(h) of the Federal Reserve Act and its implementing regulations, Regulation O, as made applicable to Bogota Savings Bank through Section 18(j) of the Federal Deposit Insurance Act and Federal Deposit Insurance Corporation regulation. Under these restrictions, the aggregate amount of the loans to any insider and the insider's related interests may not exceed the loans-to-one-borrower limit applicable to national banks, which is comparable to the loans-to-one-borrower limit applicable to Bogota Savings Bank. See "New Jersey Banking Regulation—Loans-to-One Borrower Limitations." All loans by a bank to all insiders and insiders' related interests in the aggregate may not exceed the bank's unimpaired capital and unimpaired surplus. Regulation O also requires that any proposed loan to an insider or a related interest of that insider be approved in advance by a majority of the board of directors of the bank, with any interested directors not participating in the voting, if such loan, when aggregated with any existing loans to that insider and the insider's related interests, would exceed either (1) $500,000 or (2) the greater of $25,000 or 5% of the bank's unimpaired capital and unimpaired surplus. Generally, loans to insiders and their related interests must be made on substantially the same terms as, and follow credit underwriting procedures that are not less stringent than, those that are prevailing at the time for comparable transactions with non-insiders, see note 5 for more information. With certain exceptions, loans to an executive officer, other than loans for the education of the officer's children and certain loans secured by the officer's residence, may not exceed the lesser of (1) $100,000 or (2) the greater of $25,000 or 2.5% of the bank's unimpaired capital and unimpaired surplus.

An exception to Regulation O's general requirements is made for extensions of credit made pursuant to a benefit or compensation plan of a bank that is widely available to employees of the bank and that does not give any preference to insiders of the bank over other employees of the bank.

In addition, federal law prohibits extensions of credit to a bank's insiders and their related interests by any other institution that has a correspondent banking relationship with the bank, unless such extension of credit is on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than the normal risk of repayment or present other unfavorable features.

Provisions of the New Jersey Banking Act impose conditions and limitations on the liabilities to a savings bank of its directors and executive officers and of corporations and partnerships controlled by such persons, that are comparable in many respects to the conditions and limitations imposed on the loans and extensions of credit to insiders and their related interests under federal law, as discussed above. The New Jersey Banking Act also provides that a savings bank that is in compliance with federal law is deemed to be in compliance with such provisions of the New Jersey Banking Act.

Federal Insurance of Deposit Accounts. Bogota Savings Bank is a member of the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. Deposit accounts in Bogota Savings Bank are insured up to a maximum of $250,000 for each separately insured depositor per account ownership category. Insurance of deposits may be terminated by the Federal Deposit Insurance Corporation upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or regulatory condition imposed in writing. We do not know of any practice, condition or violation that might lead to termination of Bogota Savings Bank's deposit insurance, see Note 7 for more information.

Privacy Regulations. A regulation issued by the Consumer Financial Protection Bureau generally requires that Bogota Savings Bank disclose its privacy policy, including identifying with whom it shares a customer's "non-public personal information," to customers at the time of establishing the customer relationship. In addition, financial institutions are generally required to furnish their customers a privacy notice annually, but a provision of the Fixing America's Surface Transportation Act enacted in 2015 provides an exception from the annual notice requirement if a financial institution does not share non-public personal information with non-affiliated third parties (other than as permitted under certain exceptions) and its policies and practices regarding disclosure of non-public personal information have not changed since the last distribution of its policies and practices to its customers. In addition, Bogota Savings Bank is required to provide its customers with the ability to "opt-out" of having their personal information shared with unaffiliated third parties and to not disclose account numbers or access codes to non-affiliated third parties for marketing purposes.

Community Reinvestment Act. Under the Community Reinvestment Act, or "CRA," as implemented by the Federal Deposit Insurance Corporation, a state non-member bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the Federal Deposit Insurance Corporation, in connection with its examination of each state non-member bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution, including applications to acquire branches and other financial institutions. The CRA currently requires the Federal Deposit Insurance Corporation to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. Bogota Savings Bank's most recent Federal Deposit Insurance Corporation CRA rating in August 2023 was "Satisfactory." On October 24, 2023, the FDIC and the other federal banking agencies issued a final rule to strengthen and modernize the CRA regulations. Under the final rule, banks with assets of at least $600 million as of December 31 in both of the prior two calendar years and less than $2 billion as of December 31 in either of the prior two calendar years will be an "intermediate bank." The agencies will evaluate intermediate banks under the Retail Lending Test and either the current community development test, referred to in the final rule as the Intermediate Bank Community Development Test, or, at the bank's option, the Community Development Financing Test. The applicability date for the majority of the provisions in the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027.

Consumer Protection and Fair Lending Regulations. Bogota Savings Bank is subject to a variety of federal and New Jersey statutes and regulations that are intended to protect consumers and prohibit discrimination in the granting of credit. These statutes and regulations provide for a range of enforcement actions for non-compliance with their terms, including imposition of cease-and-desist orders and civil money penalties, and referral to the U.S. Attorney General for prosecution of a civil action seeking actual and punitive damages and injunctive relief. Certain of these statutes, including Section 5 of the Federal Trade Commission Act, prohibit unfair and deceptive acts and practices against consumers. Federal laws also prohibit unfair, deceptive or abusive acts or practices against consumers, which can be enforced by the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation and state attorneys general.

Federal Home Loan Bank System

Bogota Savings Bank is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Banks provide a central credit facility primarily for member institutions. Bogota Savings Bank, as a member of the Federal Home Loan Bank of New York, is required to acquire and hold shares of capital stock in the Federal Home Loan Bank of New York. Bogota Savings Bank was in compliance with this requirement at December 31, 2023.

Holding Company Regulation

Federal Holding Company Regulation**.** Bogota Financial, MHC and Bogota Financial Corp. are bank holding companies registered with the Federal Reserve Board and are subject to regulations, examination, supervision and reporting requirements applicable to bank holding companies. In addition, the Federal Reserve Board has enforcement authority over Bogota Financial, MHC and Bogota Financial Corp. and their non-bank subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings bank.

A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities the Federal Reserve Board determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the Federal Reserve Board has determined by regulation to be so closely related to banking are: (1) making or servicing loans; (2) performing certain data processing services; (3) providing discount brokerage services; (4) acting as fiduciary, investment or financial advisor; (5) leasing personal or real property; (6) making investments in corporations or projects designed primarily to promote community welfare; and (7) acquiring a savings and loan association whose direct and indirect activities are limited to those permitted for bank holding companies.

The Gramm-Leach-Bliley Act of 1999 authorizes a bank holding company that meets specified conditions, including that its depository institution subsidiaries are "well capitalized" and "well managed," to opt to become a "financial holding company." A "financial holding company" may engage in a broader range of financial activities than a bank holding company. Such activities may include insurance underwriting and investment banking. Bogota Financial Corp. has not elected "financial holding company" status at this time.

Capital. Bank holding companies with greater than $3 billion in total consolidated assets are subject to consolidated regulatory capital requirements. However, pursuant to federal legislation and regulation, bank holding companies with less than $3.0 billion in consolidated assets, such as Bogota Financial Corp., generally are not subject to the consolidated capital requirements unless otherwise advised by the Federal Reserve Board.

Dividends and Stock Repurchases. A bank holding company is generally required to give the Federal Reserve Board prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve Board order or directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The Federal Reserve Board has issued a policy statement regarding capital distributions, including dividends, by bank holding companies. In general, the policy provides that dividends should be paid only from current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The policy also requires that a bank holding company serve as a source of financial strength to its subsidiary banks by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity, and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. Additionally, under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. In addition, the Federal Reserve has issued guidance that requires consultation with supervisory staff prior to a bank holding company's payment of dividends or repurchases of stock under certain circumstances. These regulatory policies could affect the ability of Bogota Financial Corp. to pay dividends, engage in stock repurchases or otherwise engage in capital distributions.

Waivers of Dividends by Bogota Financial, MHC. Bogota Financial Corp. may pay dividends on its common stock to public stockholders. If it does, it is also required to pay the same dividends per share to Bogota Financial, MHC, unless Bogota Financial, MHC elects to waive the receipt of dividends. Bogota Financial, MHC must receive the prior approval of the Federal Reserve Board before it may waive the receipt of any dividends from Bogota Financial Corp., and current Federal Reserve Board policy prohibits any mutual holding company that is regulated as a bank holding company, such as Bogota Financial, MHC, from waiving the receipt of dividends paid by its subsidiary holding company.

Because of the foregoing Federal Reserve Board restrictions on the ability of a mutual holding company, such as Bogota Financial, MHC, to waive the receipt of dividends declared by its subsidiary mid-tier stock holding company, it is unlikely that Bogota Financial, MHC will waive the receipt of any dividends declared by Bogota Financial Corp. Moreover, since Bogota Financial Corp. sold only a minority of its shares to the public and contributed the remaining shares to Bogota Financial, MHC, Bogota Financial Corp. raised significantly less capital than would have been the case if it had sold all its shares to the public. As a result, paying dividends to Bogota Financial, MHC, an entity that did not pay for the shares of Bogota Financial Corp. common stock it received in connection with the offering, may be inequitable to public stockholders and not in their best financial interests. Therefore, unless Federal Reserve Board regulations and policy change by allowing Bogota Financial, MHC to waive the receipt of dividends declared by Bogota Financial Corp. without diluting minority stockholders, it is unlikely that Bogota Financial Corp. will pay any dividends.

Possible Conversion of Bogota Financial, MHC to Stock Form. In the future, Bogota Financial, MHC may convert from the mutual to capital stock form of ownership in a transaction commonly referred to as a "second-step conversion." Any second-step conversion of Bogota Financial, MHC would require the approval of the NJDBI and the Federal Reserve Board, as well as the approval of the members of Bogota Financial, MHC.

Acquisition. Federal laws and regulations and the New Jersey Banking Act provide that no person may acquire control of a bank holding company, such as Bogota Financial Corp., without the prior non-objection or approval of the Federal Reserve Board and the NJDBI. Control, as defined under the Change in Bank Control Act and applicable federal regulations, means ownership, control of or the power to vote 25% or more of any class of voting securities of the company. Acquisition of 10% or more of any class of a bank holding company's voting securities constitutes a rebuttable presumption of control under certain circumstances, including where, as is the case with Bogota Financial Corp., the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

In addition, the Bank Holding Company Act of 1956, as amended, provides that no company may acquire control of a bank or bank holding company within the meaning of that statute without having first obtained the approval of the Federal Reserve Board. Control, as defined under the Bank Holding Company Act and applicable Federal Reserve Board regulations, means ownership, control or power to vote 25% or more of any class of voting stock, control in any manner over the election of a majority of the company's directors, or a determination by the Federal Reserve Board, after notice and opportunity for a hearing, that the acquirer has the power to exercise, directly or indirectly, a controlling influence over the management or policies of the company. Effective September 30, 2020, the Federal Reserve Board amended its regulations concerning when a company exercises a controlling influence over a bank or bank holding company for purposes of the Bank Holding Company Act. A company that acquires control of a bank or bank holding company for purposes of the Bank Holding Company Act becomes a "bank holding company" subject to registration, examination and regulation by the Federal Reserve Board.

New Jersey Holding Company Regulation. Bogota Financial, MHC and Bogota Financial Corp. are subject to regulation under New Jersey banking law. Under the New Jersey Banking Act, a company owning or controlling a savings bank is regulated as a bank holding company. The New Jersey Banking Act defines the terms "company" and "bank holding company" as such terms are defined under the federal Bank Holding Company Act. Each bank holding company controlling a New Jersey-chartered bank or savings bank must file certain reports with the NJDBI and is subject to examination by the NJDBI.

Federal Securities Laws

Bogota Financial Corp.'s common stock is registered with the Securities and Exchange Commission. As such Bogota Financial Corp. is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Emerging Growth Company Status. Under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), a company with pre-IPO total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." Bogota Financial Corp. qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation; however, Bogota Financial Corp. will also not be subject to additional executive compensation disclosure so long as it remains a "smaller reporting company" under Securities and Exchange Commission regulations (generally less than $250 million of voting and non-voting equity held by non-affiliates). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. Bogota Financial Corp. has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (1) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion or more; (2) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (3) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (4) the date on which such company is deemed to be a "large accelerated filer" under Securities and Exchange Commission regulations (generally, a "large accelerated filer" is defined as a corporation with at least $700 million of voting and non-voting equity held by non-affiliates).

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 was enacted to improve corporate responsibility, provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. Bogota Financial Corp. has in place policies, procedures and systems designed to comply with this Act and its implementing regulations, and Bogota Financial Corp. will review and document such policies, procedures and systems to ensure continued compliance with this Act and its implementing regulations.

Taxation

Federal Taxation

General. Bogota Financial Corp. and Bogota Savings Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to Bogota Financial Corp. and Bogota Savings Bank.

Method of Accounting. For federal income tax purposes, Bogota Savings Bank currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal income tax returns.

Net Operating Loss Carryovers. Effective with the passage of the Tax Cuts and Jobs Act, net operating loss carrybacks are no longer permitted, and net operating losses are allowed to be carried forward indefinitely. Net operating loss carryforwards arising from tax years beginning after January 1, 2018 are limited to offset a maximum of 80% of a future year's taxable income. See Note 9 in the Notes to consolidated financial statements that appear in this Annual Report on Form 10-K for additional information. At December 31, 2023, Bogota Savings Bank had net operating loss carryovers assumed from the Gibraltar merger.

Capital Loss Carryovers. Generally, a financial institution may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which it is carried and is used to offset any capital gains. Any loss remaining after the five-year carryover period that has not been deducted is no longer deductible. At December 31, 2023, Bogota Savings Bank had no capital loss carryovers.

Corporate Dividends. We may generally exclude from our income 100% of dividends received from Bogota Savings Bank as a member of the same affiliated group of corporations.

Audit of Tax Returns. Bogota Savings Bank's federal income tax returns and New Jersey State income tax returns have not been audited in the last three years.

State Taxation

Taxable income for New Jersey-chartered financial institutions is apportioned to New Jersey based on the location of the taxpayer's customers, with special rules for income from certain financial transactions. The location of the taxpayer's offices and branches not relevant to the determination of income apportioned to New Jersey. The statutory tax rate is currently 6.5%. Qualified community banks and thrift institutions that maintain a qualified loan portfolio are entitled to a specially computed modification that reduces the income taxable to New Jersey.

ITEM 1A. Risk Factors

The material risks that management believes affect the Company are described below. You should carefully consider the risks as described below, together with all of the information included herein. The risks described below are not the only risks the Company faces. Additional risks not presently known also may have a material adverse effect on the Company's results of operations and financial condition.

Risks Related to our Lending Activities

The geographic concentration of our loan portfolio makes us vulnerable to a downturn in the local economy.

At December 31, 2023, approximately $710.8 million, or 99.1% of our total loan portfolio, was secured by real estate, most of which is located in our primary lending market of Bergen, Essex, Monmouth, Morris and Ocean Counties in New Jersey. Unlike larger financial institutions that are more geographically diversified, our profitability depends primarily on the general economic conditions in our primary market area. Local economic conditions have a significant impact on our lending, including the ability of borrowers to repay these loans and the value of the collateral securing these loans. Future declines in the real estate values in northern and central New Jersey could significantly impair the value of the collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower's obligations to us. This could require increasing our allowance for credit losses, which could have a material adverse effect on our business, financial condition, results of operations and growth.

Our strategy emphasis on commercial and multi-family real estate loans may expose us to increased lending risks.

At December 31, 2023, $175.4 million, or 24.5% of our loan portfolio, consisted of commercial and multi-family real estate loans. We are committed to increasing this type of lending. However, commercial and multi-family real estate loans generally expose a lender to a greater risk of loss than one- to four-family residential loans. Repayment of commercial and multi-family real estate loans generally depends, in large part, on sufficient income from the property or business to cover operating expenses and debt service. Commercial and multi-family real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Changes in economic conditions that are beyond the control of the borrower and lender could impact the value of the security for the loan or the future cash flows of the affected property. Additionally, any decline in real estate values may affect commercial and multi-family real estate properties more than residential properties. Also, many of our commercial and multi-family real estate borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a residential mortgage loan.

Our non-owner occupied commercial real estate loans may expose us to increased credit risk.

At December 31, 2023, $70.3 million, or 9.8% of our total loan portfolio, consisted of loans secured by non-owner occupied commercial real estate loans. At December 31, 2023, $494,000, or 0.7% of these loans were past due. Loans secured by non-owner occupied properties generally expose a lender to greater risk of non-payment and loss than loans secured by owner occupied properties because repayment of such loans depend primarily on the tenant's continuing ability to pay rent to the property owner, who is our borrower, or, if the property owner is unable to find a tenant, the property owner's ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non-owner occupied properties may be below that of owner occupied properties due to lax property maintenance standards that negatively impact the value of the collateral properties.

Our allowance for credit losses may not be sufficient to cover actual credit losses.

We maintain an allowance for credit losses, which is established through a provision for credit losses that represents management's best estimate of current expected credit losses within our loan portfolio. We make various assumptions and judgments about the collectability of loans in our portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the adequacy of the allowance for credit losses, we rely on our historical loss experience and our evaluation of economic and other conditions. If our assumptions prove to be incorrect, the allowance for credit losses may not be sufficient to cover the losses in our loan portfolio, and adjustments may be necessary to address different economic conditions or adverse developments in the loan portfolio. Consequently, a problem with one or more loans could require us to significantly increase our provision for credit losses. In addition, the NJDBI and the Federal Deposit Insurance Corporation review our allowance for credit losses and as a result of such reviews, they may require us to adjust our allowance for loan losses or recognize loan charge-offs. Material additions to the allowance would materially decrease our net income.

The implementation of the Current Expected Credit Losses, or CECL, standard became effective for Bogota Financial Corp. on January 1, 2023. CECL requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for credit losses. This changed the method of providing allowances for credit losses that are incurred or probable, which required us to increase our allowance for credit losses, and to greatly increase the types of data we need to collect and review to determine the appropriate level of the allowance for credit losses. The Company has no history of credit losses and therefore used the Weighted Average Remaining Maturity (WARM) method and relied on the use of qualitative factors to determine future losses. Upon adoption of the CECL method of calculating the allowance for credit losses on January 1, 2023, the Bank recorded a one-time decrease, net of tax, in retained earnings of $220,000, an increase to the allowance for credit losses of $157,000 and an increase in the reserve for unfunded liabilities of $152,000.

Our concentrations of loans in certain industries could have adverse effects on credit quality.

As of December 31, 2023, the Company's loan portfolio included loans to: (i) lessors of office buildings of $58.0 million, or 8.1% of total loans; and (ii) borrowers in the retail industry of $70.1 million, or 9.8% of total loans. Because of these concentrations of loans in specific industries, a deterioration within these industries, especially those that have been particularly adversely impacted by long-term work-from-home arrangements on the commercial real estate sector, including retail stores, hotels and office buildings, creates greater risk exposure for our commercial real estate loan portfolio. Should the fundamentals of the commercial real estate market deteriorate, our financial condition and results of operations could be adversely affected.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. In such event, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

Changes in interest rates may reduce our profits.

Our profitability, like that of most financial institutions, depends to a large extent upon our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Accordingly, our results of operations depend largely on movements in market interest rates and our ability to manage our interest rate-sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond our control, may affect interest rates.

As a result of our historical focus on one- to four-family residential real estate loans, the majority of our loans have fixed interest rates. This can create significant earnings volatility because of changes in market interest rates. In a period of rising interest rates, the interest income earned on our assets, such as loans and investments, may not increase as rapidly as the interest paid on our liabilities, such as deposits, which have shorter durations. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers prepay mortgage loans, thereby requiring us to reinvest these cash flows at lower interest rates.

Furthermore, increases in interest rates may adversely affect the ability of borrowers to make loan repayments on adjustable-rate loans, as the interest owed on such loans would increase as interest rates increase.

Any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. While we pursue an asset/liability strategy designed to mitigate our risk from changes in interest rates, changes in interest rates can still have a material adverse effect on our financial condition and results of operations. Changes in interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. Also, our interest rate risk modeling techniques and assumptions cannot fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results. For further discussion of how changes in interest rates could impact us, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Management of Market Risk."

Changes in the estimated fair value of debt securities may reduce stockholders' equity and net income.

At December 31, 2023, the Company maintained a debt securities portfolio of $141.5 million, of which $68.9 million was classified as available-for-sale. The estimated fair value of the available-for-sale debt securities portfolio may change depending on the credit quality of the underlying issuer, market liquidity, changes in interest rates and other factors. Stockholders' equity is increased or decreased by the amount of the change in the unrealized gain or loss (difference between the estimated fair value and the amortized cost) of the available-for-sale debt securities portfolio, net of the related tax expense or benefit, under the category of accumulated other comprehensive loss. During the year ended December 31, 2023, we incurred other comprehensive losses of $140,000 related to net changes in unrealized holding losses in the available-for-sale investment securities portfolio and had total accumulated other comprehensive loss of $6.5 million. A decline in the estimated fair value of this portfolio will result in a decline in reported stockholders' equity, as well as book value per common share. The decrease will occur even though the securities are not sold.

Risks Related to Economic Conditions

Inflation can have an adverse impact on our business and on our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. In response to a pronounced rise in inflation, the Federal Reserve Board has raised certain benchmark interest rates to combat inflation. As inflation increases and market interest rates rise the value of our investment securities, particularly those with longer maturities, decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our non-interest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us. Sustained higher interest rates by the Federal Reserve Board to tame persistent inflationary price pressures could also push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations.

A deterioration in economic conditions could reduce demand for our products and services and/or result in a decrease in our asset quality, which could have an adverse effect on our results of operations.

A deterioration in economic conditions could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decrease;
- loan delinquencies, problem assets and foreclosures may increase, which may require an increase to our allowance for credit losses;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans;

- the value of our securities portfolio may decrease; and/or
- the net worth and liquidity of loan guarantors may decrease, thereby impairing their ability to honor commitments made to us.

Moreover, a significant decline in general economic conditions, caused by a pandemic, inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could further negatively affect our financial performance.

Further, a U.S. government debt default would have a material adverse impact on our business and financial performance, including a decrease in the value of Treasury bonds and other government securities held by us, which could negatively impact the Bank's capital position and its ability to meet regulatory requirements. Other negative impacts could be volatile capital markets, an adverse impact on the U.S. economy and the U.S. dollar, as well as increased default rates among borrowers in light of increased economic uncertainty. Some of these impacts might occur even in the absence of an actual default but as a consequence of extended political negotiations around the threat of such a default and a government shutdown.

Risks Related to Our Funding

Our inability to generate core deposits could have an adverse effect on our net interest margin and profitability or may cause us to rely more heavily on wholesale funding strategies for liquidity needs.

Certificates of deposit comprised $493.3 million or 78.9% of our total deposits at December 31, 2023. Certificates of deposit due within one year of December 31, 2023 totaled $430.8 million, or 68.9% of total deposits. This included $53.3 million of brokered deposits, which represented 8.5% of total deposits. While part of our business strategy is to emphasize generating transaction accounts, we cannot guarantee if and when this will occur. Further, the considerable competition for deposits in our market area also make it difficult for us to obtain reasonably-priced deposits. If we are not able to increase our lower-cost transactional deposits, we may be forced to continue to pay higher costs for certificates of deposit, which would adversely affect our operating margins and profitability, or to seek other sources of funds, including other certificates of deposit, Federal Home Loan Bank advances, brokered deposits and lines of credit to meet the borrowing and deposit withdrawal requirements of our customers.

If our banking deposits that we receive from municipalities were lost within a short period of time, it could negatively impact our liquidity and earnings.

As of December 31, 2023, we held $48.0 million of deposits from municipalities in our primary market area in New Jersey. These deposits may be more volatile than other deposits and generally are larger than our retail or business deposits. If a significant amount of these deposits were withdrawn within a short period of time, it could have a negative impact on our short-term liquidity and have an adverse impact on our earnings.

Risks Related to Our Business Strategy

Building market share through de novo branching may cause our expenses to increase faster than revenues.

We are considering building market share by opening de novo branches in contiguous markets. There are considerable costs involved in de novo branching as new branches generally require time to generate sufficient revenues to offset their initial start-up costs, especially in areas in which we do not have an established presence. Accordingly, any new branch can be expected to negatively impact our earnings until the branch attracts a sufficient number of deposits and loans to offset expenses. We cannot assure you that if we open new branches, they will be successful even after they have been established.

Acquisitions may disrupt our business and dilute shareholder value.

Our business strategy includes pursuing acquisition opportunities of other financial institutions. We would seek acquisition partners that offer us either significant market presence or the potential to expand our market footprint and improve profitability through economies of scale or expanded services. Acquiring other banks may have an adverse effect on our financial results and may involve various other risks, including, among other things: difficulty in estimating the value of the target institution; payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term; potential exposure to unknown or contingent tax or other liabilities; exposure to potential asset quality problems; difficulty and expense of integrating the operations and personnel of the target institution; risk that the acquired business will not perform according to management's expectations because of our inability to realize projected revenue increases, cost savings, improved geographic or product presence, or other projected benefits; potential disruptions to our business; potential diversion of management's time and attention; and the possible loss of key employees and customers of the target institution.

Our business strategy contemplates moderate organic growth, and our financial condition and results of operations may be adversely affected if we fail to grow or fail to manage our growth effectively.

Our assets decreased $11.8 million, or 1.2%, from $951.1 million at December 31, 2022 to $939.3 million at December 31, 2023, primarily due to decreases in loans receivable and investments. Over the next several years, we expect to experience moderate organic growth in our total assets and deposits, and the scale of our operations. Achieving our organic growth targets requires us to attract customers that currently bank at other financial institutions in our market. Our ability to grow successfully will depend on a variety of factors, including our ability to attract and retain experienced bankers, the availability of attractive business opportunities and competition from other financial institutions in our market area. While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth. If we do not manage our growth effectively, we may not be able to achieve our business plan, which would have an adverse effect on our financial condition and results of operations.

Risks Related to Our Securities Portfolio

Our investments in corporate and municipal debt securities obligations expose us to additional credit risks, which could adversely affect our financial condition and results of operations.

Our investment portfolio historically has consisted primarily of mortgage-backed securities insured or guaranteed by the United States or agencies thereof. We also have invested in bank-qualified municipal obligations and corporate bonds that are not backed by the federal government and expose us to a greater credit risk than U.S. agency securities. Any decline in the credit quality of these securities exposes us to the risk that the market value of the securities could decrease that may require us to write down their value and could lead to a possible default in payment.

Changes in the valuation of our securities portfolio may reduce our profits and our capital levels.

Our securities portfolio may be affected by fluctuations in market value, potentially reducing accumulated other comprehensive income or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. In analyzing a debt issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, industry analysts' reports and spread differentials between the effective rates on instruments in the portfolio compared to risk-free rates. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, we may take a charge to earnings to reflect such impairment. Changes in interest rates may also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are affected by fluctuations in interest rates. We increase or decrease our stockholders' equity by the amount of change in the estimated fair value of the available-for-sale securities, net of taxes. See "Risks Related to Market Interest Rates – Changes in the estimated fair value of debt securities may reduce stockholders' equity and net income." Declines in market value may result in other-than-temporary impairments of these assets, which may lead to accounting charges that could have a material adverse effect on our net income and stockholders' equity.

Risks Related to Our Operations

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

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

Our success depends on retaining certain key personnel.

Our performance largely depends on the talents and efforts of our experienced senior management team. We rely on key personnel to manage and operate our business, including major revenue generating functions such as loan and deposit generation. The loss of key staff may adversely affect our ability to maintain and manage these functions effectively, which could negatively affect our income. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which would reduce our net income. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

Systems failures or breaches of our network security could adversely affect our financial condition and results of operation and subject us to increased operating costs as well as litigation and other liabilities.

Our operations depend upon our ability to protect our computer systems and network infrastructure against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, cyber attacks, and viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures designed to prevent such damage, our security measures may not be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations.

Our risk and exposure to cyber attacks or other information security breaches remains heightened because of, among other things, the evolving nature of these threats. There continues to be a rise in security breaches and cyber attacks within the financial services industry. Financial institutions continue to be the target of various evolving and adaptive cyber attacks, including malware, ransomware and denial-of-service, as part of an effort to disrupt the operations of financial institutions, potentially test their cybersecurity capabilities, or obtain confidential, proprietary or other information. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, financial losses, the inability of our customers to transact business with us, violations of applicable privacy and other laws, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

While our Board of Directors takes an active role in cybersecurity risk tolerance, we rely to a large degree on management and outside consultants in overseeing cybersecurity risk management.

Our Board of Directors takes an active role in our cybersecurity risk management and all members receive cybersecurity training annually. The Board reviews the annual risk assessments and approves information technology policies, which include cybersecurity. Furthermore, our Audit Committee is responsible for reviewing all audit findings related to information technology general controls, internal and external vulnerability, and penetration testing. The Board receives an annual information security report from our Chief Technology Officer as it relates to cybersecurity and related issues. We also engage outside consultants to support our cybersecurity efforts. However, our directors do not have significant experience in cybersecurity risk management outside of the Company and therefore, its ability to fulfill its oversight function remains dependent on the input it receives from management and outside consultants.

Natural disasters, acts of terrorism, global market disruptions and other external events could harm our business.

Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a tornado, hurricane, fire or flood, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, violence or human error could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition. Additionally, global markets may be adversely affected by natural disasters, the emergence of widespread health emergencies or pandemics, cyber attacks or campaigns, military conflict, terrorism or other geopolitical events. Global market disruptions may affect our business liquidity. Also, any sudden or prolonged market downturn in the U.S. or abroad, as a result of the above factors or otherwise could result in a decline in revenue and adversely affect our results of operations and financial condition, including capital and liquidity levels.

Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

Our risk management framework is designed to minimize risk and loss to us. We try to identify, measure, monitor, report and control our exposure to risk, including strategic, market, liquidity, compliance and operational risks. While we use broad and diversified risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased our level of risk. Accordingly, we could suffer losses if we fail to properly anticipate and manage these risks.

Risks Related to Competition

Strong competition within our market area may reduce our profits and slow growth.

We face strong competition in making loans and attracting deposits. Price competition sometimes requires us to charge lower interest rates on our loans and pay higher interest rates on our deposits, and may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of our competitors have substantially greater resources and lending limits than we have and may offer services that we do not provide. Our competitors often aggressively price loan and deposit products when they enter into new lines of business or new market areas. If we are unable to effectively compete in our market area, our profitability would be negatively affected. The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest-earning assets. For more information about our market area and the competition we face, see "Business of Bogota Savings Bank—Market Area" and "—Competition."

Risks Related to Laws and Regulations and Their Enforcement

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

We are subject to extensive regulation, supervision and examination by our banking regulators. Such regulation and supervision govern the activities in which a financial institution and its holding company may engage and are intended primarily for the protection of insurance funds and the depositors and borrowers of Bogota Savings Bank rather than for the protection of our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the ability to impose restrictions on our operations, classify our assets and determine the level of our allowance for credit losses. These regulations, along with the currently existing tax, accounting, securities, deposit insurance and monetary laws, rules, standards, policies, and interpretations, control the ways financial institutions conduct business, implement strategic initiatives, and prepare financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations, legislation or supervisory action, may have a material impact on our operations.

We are subject to stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or restrict us from paying dividends or repurchasing shares.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios and define what constitutes "capital" for calculating these ratios. The minimum capital requirements, including a "capital conservation buffer" of 2.5%, result in the following minimum ratios: (1) a common equity Tier 1 capital ratio of 7.0%, (2) a Tier 1 to risk-based assets capital ratio of 8.5%, and (3) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, repurchasing its shares, and paying discretionary bonuses, if its capital levels fall below the buffer amount.

The federal banking agencies adopted a rule, effective January 1, 2020, that authorizes institutions with assets of less than $10 billion and that meet other specified criteria, to elect to comply with a "community bank leverage ratio" (the ratio of a bank's Tier 1 equity capital to average total consolidated assets) of 9% in lieu of the generally applicable leverage and risk-based capital requirements under Basel III. A "qualifying community bank" with capital exceeding 9% that exercises the election will be considered compliant with all applicable regulatory capital and leverage requirements, including the requirement to be "well capitalized." We elected to comply with the community bank leverage ratio.

The application of these more stringent capital requirements, among other things, could result in lower returns on equity and result in regulatory actions if we were unable to comply with such requirements.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers that open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations.

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, the Securities and Exchange Commission and bank regulators, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

Risks Related to Ownership of Our Common Stock

Federal Reserve Board regulations and policy effectively prohibit Bogota Financial, MHC from waiving the receipt of dividends, which will likely preclude us from paying any dividends on our common stock.

Bogota Financial Corp.'s board of directors has the authority to declare dividends on our common stock subject to statutory and regulatory requirements. We currently intend to retain all our future earnings, if any, for use in our business and do not expect to pay any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be made by our board of directors and will depend upon our financial condition, results of operations, capital requirements, restrictions under Federal Reserve Board regulations and policy, our business strategy and other factors that our board of directors deems relevant.

Under current Federal Reserve Board regulations and policy, if Bogota Financial Corp. pays dividends to its public stockholders, it also would be required to pay dividends to Bogota Financial, MHC, unless Bogota Financial, MHC waives the receipt of such dividends. Current Federal Reserve Board policy has been to prohibit mutual holding companies that are regulated as bank holding companies, such as Bogota Financial, MHC, from waiving the receipt of dividends and the Federal Reserve Board's regulations implemented after the enactment of the Dodd-Frank Act effectively prohibit mutual holding companies from waiving dividends declared by their subsidiaries. See "Supervision and Regulation—Holding Company Regulation—Waivers of Dividends by Bogota Financial, MHC" for a further discussion of the applicable requirements related to the potential waiver of dividends by a mutual holding company. Unless Federal Reserve Board regulations or policy change by allowing Bogota Financial, MHC to waive the receipt of dividends declared by Bogota Financial Corp. without diluting minority stockholders, it is unlikely that Bogota Financial Corp. will pay any dividends.

Our common stock is not heavily traded, and the stock price may fluctuate significantly.

Our common stock is traded on The NASDAQ Capital Market. Certain brokers currently make a market in the common stock, but such transactions are infrequent and the volume of shares traded is relatively small. Management cannot predict whether these or other brokers will continue to make a market in our common stock. Prices on stock that is not heavily traded can be more volatile than heavily traded stock. Factors such as our financial results, the introduction of new products and services by us or our competitors, publicity regarding the banking industry, and various other factors affecting the banking industry may have a significant impact on the market price of the shares the common stock. Management also cannot predict the extent to which an active public market for our common stock will develop or be sustained in the future. Accordingly, stockholders may not be able to sell their shares of our common stock at the volumes, prices, or times that they desire.

Bogota Financial, MHC's majority control of our common stock enables it to exercise voting control over most matters put to a vote of stockholders and will prevent stockholders from forcing a sale or a second-step conversion transaction you may find advantageous.

Bogota Financial, MHC owns a majority of Bogota Financial Corp.'s common stock and, through its board of directors, is able to exercise voting control over most matters put to a vote of stockholders. The votes cast by Bogota Financial, MHC may not be in your personal best interests as a stockholder. For example, Bogota Financial, MHC may exercise its voting control to defeat a stockholder nominee for election to the board of directors of Bogota Financial Corp. and will be able to elect all of the directors of Bogota Financial Corp. Some stockholders may desire a sale or merger transaction, since stockholders typically receive a premium for their shares. Stockholders may also desire a second-step conversion transaction, since most fully stock institutions tend to trade at higher multiples of book value than mutual holding companies. However, stockholders will not be able to force a merger or a second-step conversion transaction without the consent of Bogota Financial, MHC since such transactions also require, under New Jersey and federal law, the approval of a majority of all of the outstanding voting stock, which can only be achieved if Bogota Financial, MHC votes to approve such transactions.

We are an emerging growth company and have elected to comply only with the reduced reporting and disclosure requirements applicable to emerging growth companies. As such, our common stock may be less attractive to investors.

We are an emerging growth company and for as long as we continue to be an emerging growth company, we plan to take advantage of exemptions from various reporting requirements applicable to other public companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors may find our common stock less attractive as we rely on these exemptions.

Even if we no longer qualify as an emerging growth company, as a smaller reporting company, we would still be eligible to use reduced disclosure requirements, which may make our common stock less attractive to investors.

Even if we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company. As such, we plan to take advantage of reduced disclosure obligations, including regarding executive compensation, in our periodic reports and proxy statements. As a result, investors may find our common stock less attractive. As a smaller reporting company that is a non-accelerated filer, we also will not be subject to Section 404(b) of the Sarbanes-Oxley Act, which would require that our independent auditors review and attest to the effectiveness of our internal control over financial reporting.

Various factors may make takeover attempts more difficult to achieve.

Stock banks or their holding companies, as well as individuals, may not acquire control of an entity in the mutual holding company structure, such as Bogota Financial Corp. As result, the only persons that may acquire control of a mutual holding company are other mutual savings institutions or mutual holding companies. Accordingly, it is very unlikely that Bogota Financial Corp. would be subject to any takeover attempt by activist stockholders or other financial institutions. There also are provisions in our articles of incorporation and bylaws that may be used to delay or block a takeover attempt, including a provision that prohibits any person, other than Bogota Financial, MHC, from voting more than 10% of the shares of common stock outstanding. In addition, state and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of Bogota Financial Corp. without our board of directors' prior approval.

Under federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve Board before acquiring control of a bank holding company. Acquisition of 10% or more of any class of voting stock of a bank holding company creates a rebuttable presumption that the acquirer "controls" the bank holding company. Also, a bank holding company must obtain the prior approval of the Federal Reserve Board and the NJDBI before, among other things, acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any bank, including Bogota Savings Bank.

<u>Risks Related to the COVID-19 Pandemic</u>

The COVID-19 pandemic could adversely affect the Company's business activities, financial condition, and results of operations.

Global health concerns relating to the COVID-19 pandemic and related government actions taken to reduce the spread of the virus could harm the Bank's business and that of its customers, in particular, small to medium-sized business customers. A decline in economic conditions generally and a prolonged negative impact on small to medium-sized businesses, in particular, due to the COVID-19 pandemic could result in a material adverse effect on the Company's business, financial condition, and results of operations.

ITEM 1B. <u>Unresolved Staff Comments</u>

None.

ITEM 1C. <u>Cybersecurity</u>

Our information security program is managed through a dynamic enterprise-wide cybersecurity strategy, policies, standards, architecture, and processes. The Bank relies upon a formalized internal Information and Cybersecurity Program ("the Program") to safeguard confidential information, maintain the confidentiality of our customers' data and to ensure the integrity of financial transactions. The Program is approved by the Bank's Board of Directors or a Committee thereof annually, and is designed to identify reasonably foreseeable internal and external threats, assess the likelihood and potential damage these threats could cause, and assess the appropriateness of policies, standards and procedures used to identify and mitigate risks associated with a material Cybersecurity incident. The Program has been designed to align with industry best practices, as well as Regulatory guidelines and laws; and leverages the National Institute of Standards and Technology Cybersecurity framework ("NIST CSF") as its baseline. We are dedicated to cybersecurity and maintaining the trust and confidence of our customers and stockholders.

Additionally, we maintain an Incident Response Plan that provides established procedures for timely reporting and escalation of significant cybersecurity incidents; our commitment involves promptly notifying regulatory authorities, customers, and other stakeholders in the event of any material cyber incidents that may impact our operations or the security of sensitive information. The Incident Response Plan is coordinated through the Director of Information Technology ("Director of IT") and key members of executive management who are responsible for escalation as part of the Plan.

We use a layered defense management approach to managing cybersecurity. The Bank's cybersecurity operations function is headed by the Director of IT who is responsible for managing information security risks by developing and implementing information security strategies, architecture, and procedures and acts as the first line of defense. The Director of IT oversees a team of internal and external security professionals in safeguarding our critical data, systems, and assets against threats, breaches, and attacks. The Director of IT is also responsible for ensuring the confidentiality, integrity, and availability of information assets.

The information security program, policies, and standards are managed by the Vice President of Information Security Systems ("VP, ISS"), who leads the enterprise wide technology risk management function. The VP, ISS acts as the second line of defense and provides risk oversight for the Bank's technology operating infrastructure and operations. The VP, ISS function manages testing of technology controls, technology risk assessments, risk reporting, information security third-party due diligence, monitoring the implementation of risk mitigation actions, and tracking their effectiveness over time. The Bank's internal auditors and Board of Directors act as the third line of defense, providing the independent assurance function.

In addition to the above risk management framework, we engage in regular assessments of our infrastructure, software systems, and network architecture, using internal cybersecurity experts and third-party specialists. We also maintain a third-party risk management program designed to identify, assess, and manage risks, including cybersecurity risks, associated with external service providers and our supply chain. Additionally, we actively monitor our email gateways for malicious phishing email campaigns and monitor remote connections for any portion of our workforce that has the option to work remotely. We leverage internal and external auditors and independent external partners to periodically review our processes, systems, and controls, including with respect to our information security program, to opine on their design and operating effectiveness and make recommendations to strengthen our risk management program.

Notwithstanding our defensive measures and processes, the threat posed by cyber-attacks is severe. Our internal systems, processes, and controls are designed to mitigate loss from cyber-attacks. For further discussion of risks from cybersecurity threats, see the section captioned "Risks Related to Our Operations" in Item 1A. Risk Factors.

As part of our governance structure, the Board of Directors, Chief Executive Officer and Director of IT play an active role in overseeing our cybersecurity program. Regular briefings on cyber risk management and incident response activities are conducted, ensuring a high level of governance and accountability in addressing cybersecurity concerns. The Bank and its vendors provide periodic reports to our Board of Directors, or Committee thereof, as well as to our senior management team as appropriate. These reports include updates on the Bank's cyber risks and threats, the status of projects to strengthen our information security systems, assessments of the information security program, and the emerging threat landscape.

We are steadfast in our commitment to collaborate with regulatory authorities to enhance industry-wide cybersecurity standards. Given the ongoing and changing cyber threat landscape, we are committed to invest in, improve and update our cybersecurity practices on an ongoing basis. Regular assessments, testing, audits, and training of all employees are conducted to adapt to emerging threats and enhance our ability to safeguard the interests of our customers.

ITEM 2. Properties

As of December 31, 2023, the net book value of our land, building and equipment was $7.7 million. The following table sets forth information regarding our offices as of December 31, 2023:

Location	Leased or Owned	Year Acquired or Leased	Net Book Value of Real Property
			(In thousands)
Branch Offices:			
819 Teaneck Road Teaneck, NJ 07666	Owned	2004	$3,420
60 East Main Street Bogota, NJ 07603	Owned	1941	$169
181 Boulevard Hasbrouck Heights, NJ 07604	Owned	2020	$2,484
1719 Route 10 East Parsippany, NJ 07054	Leased	2021	$109
5527 Berkshire Valley Road Oak Ridge, NJ 07438	Owned	2021	$159
1039 South Orange Road Newark, NJ 07106	Owned	2021	$1,146
Other Offices:			
510 Warren Ave Spring Lake, NJ 07762 (used as a loan production office)	Leased	2021	$10

We believe that the current facilities are adequate to meet our present and foreseeable needs, subject to possible future expansion**.**

ITEM 3. Legal Proceedings

We are not involved in any pending legal proceedings as a defendant other than routine legal proceedings in the ordinary course of business. At December 31, 2023, we were not involved in any legal proceedings the outcome of which management believes would be material to our financial condition or results of operations.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Registrant's Common Equity

The common stock of Bogota Financial Corp. is listed on The NASDAQ Capital Market under the symbol "BSBK". At March 28, 2024, Bogota Financial Corp. had approximately 1,975 stockholders of record.

Bogota Financial Corp. currently does not anticipate paying a dividend to its stockholders. The payment and amount of any dividend payments will be subject to statutory and regulatory limitations, and will depend upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; our other uses of funds for the long-term value of stockholders; tax considerations; the Federal Reserve Board's current regulations restricting the waiver of dividends by mutual holding companies; and general economic conditions.

There were no sales of unregistered securities during the quarter ended December 31, 2023.

On May 24, 2023, the Company announced it had received regulatory approval for the repurchase of up to 249,920 shares of its common stock, which was approximately 5% of its then outstanding common stock (excluding shares held by Bogota Financial, MHC). As of December 31, 2023, 216,837 shares have been repurchased under this program at a cost of $1.6 million.

The following table provides information on repurchases by the Company of its common stock under the Company's Board approved program during the fourth quarter of 2023.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - 31, 2023	38,600	$ 7.41	38,600	89,019
November 1 - 30, 2023	20,000	7.19	20,000	69,019
December 1 - 31, 2023	35,936	7.64	35,936	33,083
Total	94,536	$ 7.45	94,536	

ITEM 6. RESERVED

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis reflects the information contained in our consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. Certain of the information in this section has been derived from the consolidated financial statements, which appear elsewhere in this Annual Report on Form 10-K. You should read the information in this section in conjunction with the other business and financial information provided in this Annual Report on Form 10-K.

Overview

Net Interest Income. Our primary source of income is net interest income. Net interest income is the difference between interest income, which is the income we earn on our loans and investments, and interest expense, which is the interest we pay on our deposits and borrowings.

Provision for Credit Losses. The current expected credit loss ("CECL") model requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It replaces the incurred loss model that delayed the recognition of a credit loss until it was probable that a loss event was incurred.

The estimate of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the historical period used. The Company considers future economic conditions and portfolio performance as part of a reasonable and supportable forecast.

Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses ("ACL"). The Company has designated six portfolio segments, which are residential, commercial real estate, multi-family, construction, commercial and industrial and consumer. These portfolio segments are further disaggregated into classes, which represent loans and leases of similar type, risk characteristics, and methods for monitoring and assessing credit risk.

The Company has minimal history of credit losses and therefore uses the Weighted Average Remaining Maturity method for all segments and relies on the use of qualitative factors to determine future credit losses.

The Company considers the impact of current environmental factors at the reporting date that did not exist over the period from which historical experience was used. Relevant factors include, but are not limited to, concentrations of credit risk (geographic, large borrower, and industry), economic trends and conditions, changes in underwriting standards, experience and depth of lending staff, trends in delinquencies, and the level of criticized loans.

The Company also incorporates a one-year reasonable and supportable loss forecast period to account for the effect of forecasted economic conditions and other factors on the performance of the commercial portfolio, which could differ from historical loss experience. The Company performs a quarterly asset quality review, which includes a review of forecasted gross charge-offs and recoveries, non-performing assets, criticized loans and leases, and risk rating migration. The asset quality review is reviewed by management and the results are used to consider a qualitative overlay to the quantitative baseline. After the one-year reasonable and supportable loss forecast period, this overlay adjustment assumes an immediate reversion to historical loss rates for the remaining loan life period.

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans included in the quantitative baseline. These individually evaluated loans are removed from the pooling approach discussed above for the quantitative baseline, and include non-accrual loans, and other loans as deemed appropriate by management.

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral's fair value less cost to sell. In most cases, the Company records a partial charge-off to reduce the loan's carrying value to the collateral's fair value less cost to sell. Substantially all of the collateral consists of various types of real estate, including, residential properties; commercial properties, such as retail centers, office buildings, and lodging; agriculture land; and vacant land.

The reserve for unfunded commitments (the "Unfunded Reserve") represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The Unfunded Reserve is recognized as a liability (other liabilities in the consolidated statements of condition), with adjustments to the reserve recognized in other noninterest expense in the consolidated statements of income. The Unfunded Reserve is determined by estimating future draws and applying the expected loss rates on those draws. Future draws are based on historical averages of utilization rates (i.e., the likelihood of draws taken). To estimate future draws on unfunded balances, current utilization rates are compared to historical utilization rates. If current utilization rates are below historical utilization rates, the rate difference is applied to the committed balance to estimate the future draw. Loss rates are estimated by utilizing the same loss rates calculated for the allowance general reserves.

Non-Interest Income. Our primary sources of non-interest income are banking fees and service charges, net gains in cash surrender value of bank-owned life insurance and miscellaneous income.

Non-Interest Expenses. Our non-interest expenses consist of salaries and employee benefits, net occupancy, equipment, data processing, federal deposit insurance premiums, advertising, directors fees, professional fees and other general and administrative expenses.

Salaries and employee benefits consist primarily of salaries and wages paid to our employees, payroll taxes, expenses for workers' compensation and disability insurance, health insurance, retirement plans, our employee stock ownership plan, our equity incentive plan and other employee benefits, as well as other incentives.

Occupancy and equipment expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of depreciation charges, rental expenses, furniture and equipment expenses, maintenance, real estate taxes and costs of utilities. Depreciation of premises and equipment is computed using a straight-line method based on the estimated useful lives of the related assets or the expected lease terms, if shorter.

Federal deposit insurance premiums are payments we make to the Federal Deposit Insurance Corporation for insurance of our deposit accounts.

Data processing expenses are fees we pay to third parties for use of their software and for processing customer information, deposits and loans.

Advertising includes most marketing expenses, including multi-media advertising (public and in-store), promotional events and materials, civic and sales-focused memberships, and community support.

Professional fees include legal, accounting, auditing, risk management and payroll processing expenses.

Directors fees consist of the fees we pay to our directors for their service on our board of directors, as well as the costs associated with the directors' retirement plan and grants to directors under our equity incentive plan.

Other expenses include expenses for office supplies, postage, telephone, insurance and other miscellaneous operating expenses.

Income Tax Expense. Our income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between the carrying amounts and the tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amounts expected to be realized.

Business Strategy

Our business strategy is to operate as a well-capitalized and profitable community bank dedicated to providing personal service to individuals and businesses. We believe that we have a competitive advantage in the markets we serve because of our 130-year history in the community, our knowledge of the local marketplace and our long-standing reputation for providing superior, relationship-based customer service. We believe we can distinguish ourselves by maintaining the culture of a local community bank. The following are the key elements of our business strategy:

Continue to focus on residential real estate lending. We have been, and will continue to be, primarily a one- to four-family residential real estate lender in our market area. As of December 31, 2023, $486.1 million, or 67.7% of our total loan portfolio, consisted of one- to four-family residential real estate loans. We expect that one- to four-family residential real estate lending will remain our primary lending activity.

Continue to emphasize commercial and multi-family real estate lending. We view the growth of commercial real estate and multi-family lending as a means of increasing our interest income and the yield on our loan portfolio, and reducing the average term to repricing of our loans. We believe that local banking consolidation has created opportunities to attract talent with experience originating commercial real estate loans within our market area. Further, the additional capital raised in the offering enabled us to increase our commercial real estate and multi-family loan originations in our market area, and originate loans with larger balances. Our commercial real estate and multi-family loan portfolio increased to $175.4 million, or 24.5% of total loans, at December 31, 2023, from $162.3 million, or 22.5% of total loans, at December 31, 2022.

Increase lower-cost core deposits. We continue to emphasize offering core deposits (demand deposit accounts, savings accounts and money market accounts) to individuals, businesses and municipalities. We attract and retain transaction accounts by offering competitive products and rates and providing quality customer service. Core deposits are our least costly source of funds, which improves our interest rate spread and also contributes non-interest income from account related services. However, at December 31, 2023, core deposits decreased to 21.1% of our total deposits compared to 29.8% of our total deposits at December 31, 2022 due to customers moving funds to higher-yielding certificates of deposits in the higher interest rate environment.

Grow through opportunistic bank or branch acquisitions. We plan to open a new branch in Upper Saddle River during the second quarter of 2024. We will consider acquisition opportunities that may enhance the value of our franchise and yield potential financial benefits for our stockholders. Although we believe opportunities exist to increase our market share in our market, we expect to expand into contiguous markets. The capital we raised in the offering will also provide us the opportunity to acquire smaller institutions or fee-based businesses located in or contiguous to our market area.

Continue to emphasize operating efficiencies and cost controls. We are focused on controlling expenses while increasing our net income. We are disciplined in managing non-interest expenses by identifying cost savings opportunities such as renegotiating key third-party contracts and reducing other operating expenses. Our efficiency ratio was 97.04% for the year ended December 31, 2023 compared to 59.03% for the year ended December 31, 2022. The increase was primarily due to one-time severance costs associated with the change in our President and Chief Executive Officer. To support our growth in a cost-effective way, we plan to continue to invest prudently in technology to help improve our operational infrastructure.

Maintain disciplined underwriting. We emphasize a disciplined credit culture based on intimate knowledge of the market, close ties to our customers, sound underwriting standards and experienced loan officers. We are committed to actively monitoring and managing our loan portfolio in an effort to proactively identify and mitigate credit risks within the portfolio. At December 31, 2023, non-performing assets totaled $12.8 million, which represented 1.36% of total assets. At December 31, 2022, there were $857,000 of non-performing assets which represented 0.09% of total assets.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. We consider the accounting policy discussed below to be a critical accounting policy, which is presented in the notes to the consolidated financial statements. The estimates and assumptions that we use are based on historical experience and various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

The JOBS Act, which was enacted in 2012, contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company," we plan to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be fully comparable to public companies that comply with such new or revised accounting standards.

The following represents our critical accounting policy:

Allowance for Credit Losses. The allowance for credit losses is the amount estimated by management as necessary to absorb credit losses in the loan portfolio that are expected over the life of an exposure (or pool of exposures). The amount of the allowance is based on significant estimates, and the ultimate losses may vary from such estimates as more information becomes available or conditions change. The methodology for determining the allowance for credit losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions used and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for credit losses.

As a substantial percentage of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly affect the valuation of a property securing a loan and the related allowance. Management reviews the assumptions supporting such appraisals to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs an evaluation of the adequacy of the allowance for credit losses at least quarterly. We consider a variety of factors in establishing this estimate including current economic and forecasted conditions, delinquency statistics, geographic concentrations, and the adequacy of the underlying collateral, the financial strength of the borrower, results of internal loan reviews and other relevant factors. This evaluation is inherently subjective as it requires material estimates by management that may be susceptible to significant change based on changes in economic and real estate market conditions.

The evaluation has polled and individual components. The individual component relates to loans that do not share similar risk characteristics with the remaining loans in the pools that are collectively evaluated. For such loans that are also collateral dependent, an allowance is generally established when the collateral value, less costs to sell as appropriate, of the loan is lower than the carrying value of that loan. The general component covers non-classified loans that share similar risk characteristics and is based on the weighted average remaining maturity and historical loss experience adjusted for qualitative factors.

Actual credit losses may be significantly more than the allowance we have established which could have a material negative effect on our financial results. See Note 1 to the Notes to the consolidated financial statements for a complete discussion of the allowance for loan losses.

Selected Financial Data

The following tables set forth selected historical financial and other data for Bogota Financial Corp. and Bogota Savings Bank at and for the periods indicated. The following information is only a summary and should be read in conjunction with our consolidated financial statements and the notes thereto contained in this Annual Report on Form 10-K. The information at and for the years ended December 31, 2023 and 2022 is derived in part from the audited consolidated financial statements appearing in this Annual Report on Form 10-K.

	At December 31,	
	2023	2022
	(In thousands)	
Selected Financial Condition Data:		
Total assets	$ 939,324	$ 951,099
Cash and cash equivalents	24,929	16,841
Securities held-to-maturity	72,656	77,427
Securities available-for-sale	68,888	85,101
Loans receivable, net	714,689	719,026
Bank owned life insurance	30,988	30,206
Total liabilities	802,151	811,440
Deposits	625,347	701,411
Borrowings	167,690	102,319
Total equity	137,173	139,659

	For the Year Ended December 31,	
	2023	2022
	(In thousands)	
Selected Operating Data:		
Interest income	$ 37,280	$ 30,347
Interest expense	22,307	7,269
Net interest income	14,973	23,078
Provision for (recovery) credit loan losses	$ (125)	425
Net interest income after provision for (recovery) credit losses	15,098	22,653
Non-interest income	1,139	1,123
Non-interest expenses	15,756	14,285
Income before income taxes	481	9,491
Income taxes (benefit) expense	$ (162)	2,614
Net income	$ 643	$ 6,877

	At or For the Year Ended December 31,	
	2023	2022
Performance Ratios:		
Return on average assets (1)	0.07%	0.77%
Return on average equity (2)	0.46%	4.76%
Interest rate spread (3)	1.28%	2.59%
Net interest margin (4)	1.71%	2.76%
Efficiency ratio (5)	97.04%	59.03%
Average interest-earning assets to average interest-bearing liabilities	116.95%	119.60%
Loans to deposits	114.29%	102.51%
Average equity to assets (6)	14.89%	16.22%
Capital Ratios: (Bank only)		
Tier 1 capital (to adjusted total assets)	15.24%	15.61%
Other Data:		
Number of offices	6	6
Number of full-time equivalent employees	68	61

(1) Represents net income divided by average total assets.
(2) Represents net income divided by average equity.
(3) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost on average interest-bearing liabilities. Tax exempt income is reported on a tax equivalent basis using a combined federal and state marginal tax rate of 28% for 2023 and 2022.
(4) Represents net interest income as a percent of average interest-earning assets. Tax exempt income is reported on a tax equivalent basis using a combined federal and state marginal tax rate of 28% for 2023 and 2022.
(5) Represents non-interest expense divided by the sum of net interest income and non-interest income.
(6) Represents average equity divided by average total assets.

Average Balance Sheets

The following tables set forth average balances, average yields and costs, and certain other information for the years indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are daily average balances. Non-accrual loans are included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense, as applicable.

	For the Years Ended December 31,					
	2023			2022		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/Cost
	(Dollars in thousands)					
Assets:						
Cash and cash equivalents	$ 10,868	$ 568	5.23%	$ 25,044	$ 117	0.47%
Loans	713,799	32,046	4.49	638,679	26,264	4.11
Securities	144,880	4,162	2.87	167,987	3,678	2.19
Other interest-earning assets	6,389	504	7.90	5,677	288	5.05
Total interest-earning assets	875,936	37,280	4.26	837,387	30,347	3.62
Non-interest-earning assets	54,925			52,525		
Total assets	$ 930,861			$ 889,912		
Liabilities and Equity:						
NOW and money market accounts	$ 85,663	1,399	1.63	$ 140,473	787	0.56
Savings accounts	48,351	580	1.20	62,626	184	0.29
Certificates of deposit	498,129	16,045	3.22	394,593	4,136	1.05
Total interest-bearing deposits	632,143	18,024	2.85	597,692	5,107	0.85
Federal Home Loan Bank advances (1)	116,816	4,283	3.67	102,458	2,162	2.11
Total interest-bearing liabilities	748,959	22,307	2.98	700,150	7,269	1.04
Non-interest-bearing deposits	38,636			41,501		
Other non-interest-bearing liabilities	4,627			3,914		
Total liabilities	792,222			745,565		
Total equity	138,639			144,347		
Total liabilities and equity	$ 930,861			$ 889,912		
Net interest income		$ 14,973			$ 23,078	
Interest rate spread (2)			1.28%			2.58%
Net interest margin (3)			1.71%			2.76%
Average interest-earning assets to average interest-bearing liabilities		$ 126,977			$ 137,237	

(1) Cash flow hedges are used to manage interest rate risk. During the year ended December 31, 2023, the net effect on interest expense on Federal Home Loan Bank advances was a reduced expense of $364,000.

(2) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average 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 periods 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 total column represents the sum of the prior two 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, 2023 vs 2022		
	Increase (Decrease) Due to		
	Volume	Rate	Net
		(In thousands)	
Interest income:			
Cash and cash equivalents	$ (102)	$ 553	$ 451
Loans receivable	3,248	2,534	5,782
Securities	(554)	1,038	484
Other interest-earning assets	39	178	217
Total interest-earning assets	2,631	4,303	6,934
Interest expense:			
NOW and money market accounts	(406)	1,018	612
Savings accounts	(51)	447	396
Certificate of deposit	1,339	10,571	11,910
Federal Home Loan Bank advances	338	1,783	2,121
Total interest-bearing liabilities	1,220	13,819	15,039
Net increase (decrease) in net interest income	$ 1,411	$ (9,516)	$ (8,105)

Comparison of Financial Condition at December 31, 2023 and December 31, 2022

Total Assets. Total assets decreased $11.8 million, or 1.2%, to $939.3 million at December 31, 2023 from $951.1 million at December 31, 2022. The decrease was primarily due to $4.3 million decrease in loans receivable and a $21.0 million decrease in securities, partially offset by an increase in cash and cash equivalents of $8.1 million.

Cash and Cash Equivalents. Total cash and cash equivalents increased $8.1 million, or 48.0%, to $24.9 million at December 31, 2023 from $16.8 million at December 31, 2022. This increase was primarily due to loan payments received, proceeds from calls and maturities of securities and additional borrowings, offset by the decrease in deposits.

Securities Available for Sale. Total securities available for sale decreased $16.2 million, or 19.1%, to $68.9 million at December 31, 2023 from $85.1 million at December 31, 2022. The decrease was due to decreases of $7.7 million in mortgage-backed securities, $80,000 in agency bonds, $4.9 million in U.S. treasury bills and $3.7 million in corporate bonds.

Securities Held to Maturity. Total securities held to maturity decreased $4.8 million, or 6.2%, to $72.7 million at December 31, 2023 from $77.4 million at December 31, 2022, primarily due to a $7.7 million decrease in municipal securities and a $5.8 million of principal pay downs and maturities on mortgage-backed securities offset by a $8.7 million increase in corporate bonds.

Net Loans. Net loans decreased $4.3 million, or 0.6%, to $714.7 million at December 31, 2023 from $719.0 million at December 31, 2022 due to $69.0 million in repayments, partially offset by new production of $64.7 million. Due to the interest rate environment, we have seen a decrease in demand for residential and construction loans, which have been primary drivers of our loan growth in recent periods.

The decrease in net loans was due to a $9.6 million, or 1.9%, decrease in one- to four-family residential real estate loans and home equity lines of credit secured by one- to four-family residential real estate to $486.1 million at December 31, 2023 from $495.7 million at December 31, 2022, and a decrease of $12.5 million, or 20.3%, in construction loans to $49.3 million at December 31, 2023 from $61.8 million at December 31, 2022 offset by an increase of $13.0 million, or 8.0%, increase in commercial and multi-family real estate loans to $175.4 million at December 31, 2023 from $162.3 million at December 31, 2022, and an increase of

$5.0 million, or 295.3%, in commercial and industrial loans to $6.7 million at December 31, 2023 from $1.7 million as of December 31, 2022. As of December 31, 2023the Bank had no loans held for sale.

Bank-Owned Life Insurance. Bank-owned life insurance increased $782,000, or 2.6%, to $31.0 million at December 31, 2023 from $30.2 million at December 31, 2022 due to an increase in the cash surrender value. The was no new bank-owned life insurance purchased in 2023.

Deposits. Total deposits decreased $76.1 million, or 10.8%, to $625.3 million at December 31, 2023 from $701.4 million at December 31, 2022. The decrease in deposits reflected decreases in NOW, money market and savings accounts, which decreased by $68.7 million from $170.2 million at December 31, 2022 to $101.5 million at December 31, 2023, offset by an increase in certificate of deposit accounts, which increased by $682,000 to $493.3 million from $492.6 million at December 31, 2022.

At December 31, 2023, municipal deposits totaled $48.0 million, which represented 7.7% of total deposits, and brokered deposits totaled $53.5 million, which represented 8.5% of total deposits. At December 31, 2022, municipal deposits totaled $57.5 million, which represented 8.2% of total deposits, and brokered deposits totaled $53.3 million, which represented 8.5% of total deposits.

Borrowings. Federal Home Loan Bank of New York borrowings increased $65.4 million, or 63.9%, to $167.7 million at December 31, 2023 from $102.3 million at December 31, 2022, due to proceeds from-long term advances totaling $86.9 million, offset by as a decrease of $21.5 million in short-term advances. The weighted average rate of borrowings was 4.54% and 3.36% as of December 31, 2023 and December 2022, respectively. Cash flow hedges are used to manage interest rate risk. At December 31, 2023, the Company had two interest rate swaps with a notional amount of $20.0 million hedging on certain FHLB advances.

Total Equity. Stockholders' equity decreased $2.5 million, or 1.8% to $137.2 million, due to increased accumulated other comprehensive loss for securities available for sale of $254,000 and the repurchase of 418,786 shares of stock at a cost of $3.7 million, offset by net income of $643,000 for the twelve months ended December 31, 2023 and stock compensation of $933,000.At December 31, 2023, the Company's ratio of average stockholders' equity-to-total assets was 15.24%, compared to 15.61% at December 31, 2022.

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

General. Net income decreased by $6.2 million, or 90.7%, to $643,000 for the twelve months ended December 31, 2023 from $6.9 million for the twelve months ended December 31, 2022. This decrease was primarily due to a decrease of $8.1 million in net interest income, and an increase of $1.5 million in non-interest expense, offset by a decrease of $550,000 in the provision for credit losses and a decrease of $2.8 million in income tax expense.

Interest Income. Interest income increased $6.9 million, or 22.8%, from $30.3 million for the twelve months ended December 31, 2022 to $37.3 million for the twelve months ended December 31, 2023 due to increases in the average balances of and higher yields on interest-earning assets.

Interest income on cash and cash equivalents increased $451,000, or 385.5%, to $568,000 for the twelve months ended December 31, 2023 from $117,000 for the twelve months ended December 31, 2022 due a 476 basis point increase in the average yield from 0.47% for the twelve months ended December 31, 2022 to 5.23% for the twelve months ended December 31, 2023 due to the higher interest rate environment. This was offset by a $14.2 million decrease in the average balance to $10.9 million for the twelve months ended December 31, 2023 from $25.0 million for the twelve months ended December 31, 2022, reflecting the use of excess liquidity to fund loan originations.

Interest income on loans increased $5.8 million, or 22.0%, to $32.0 million for the twelve months ended December 31, 2023 compared to $26.3 million for the twelve months ended December 31, 2022 due primarily to a $75.1 million increase in the average balance to $713.8 million for the twelve months ended December 31, 2023 from $638.7 million for the twelve months ended December 31, 2022 and a 38 basis point increase in the average yield from 4.11% for the twelve months ended December 31, 2022 to 4.49% for the twelve months ended December 31, 2023. The increase was offset by a $1.2 million reserve for nonaccrual interest on a delinquent construction loan.

Interest income on securities increased $484,000, or 13.2%, to $4.2 million for the twelve months ended December 31, 2023 from $3.7 million for the twelve months ended December 31, 2022 due primarily to a 68 basis point increase in the average yield from 2.19% for the twelve months ended December 31, 2022 to 2.87% for the twelve months ended December 31, 2023. The increase was offset by a $23.1 million decrease in the average balance of securities to $144.9 million for the twelve months ended December 31, 2023 from $168.0 million for the twelve months ended December 31, 2022.

Interest Expense. Interest expense increased $15.0 million, or 206.9%, from $7.3 million for the twelve months ended December 31, 2022 to $22.3 million for the twelve months ended December 31, 2023 primarily due higher costs on interest-bearing liabilities.

Interest expense on interest-bearing deposits increased $12.9 million, or 252.9%, to $18.0 million for the twelve months ended December 31, 2023 from $5.1 million for the twelve months ended December 31, 2022. The increase was due to a 200 basis point increase in the average cost of interest-bearing deposits to 2.85% for the twelve months ended December 31, 2023 from 0.85% for the twelve months ended December 31, 2022. The increase in the average cost of deposits was due to the higher interest rate environment and a change in the composition of the deposit portfolio. The average balances of certificates of deposit increased $103.5 million to $498.1 million for the twelve months ended December 31, 2023 from $394.6 million for the twelve months ended December 31, 2022 while NOW and money market accounts and savings accounts decreased $54.8 million and $14.3 million for the twelve months ended December 31, 2023, respectively, compared to the twelve months ended December 31, 2022. At December 31, 2023 $53.3 million of deposits were brokered deposits costing 4.65%.

Interest expense on Federal Home Loan Bank borrowings increased $2.1 million, or 98.1%, from $2.2 million for the twelve months ended December 31, 2022 to $4.3 million for the twelve months ended December 31, 2023. The increase was due to an increase in the average cost of 156 basis points to 3.67% for the twelve months ended December 31, 2023 from 2.11% for the twelve months ended December 31, 2022 due to the new borrowings at higher rates. The increase was also due to an increase in the average balance of borrowings of $14.4 million to $116.8 million for the twelve months ended December 31, 2023 from $102.5 million for the twelve months ended December 31, 2022. Cash flow hedges used to manage interest rate risk totaled $20.0 million at December 31, 2023. During the twelve months ended December 31, 2023, the use of the cash flow hedges reduced the interest expense on the Federal Home Loan Bank advances by $364,000.

Net Interest Income. Net interest income decreased $8.1 million, or 35.1%, to $15.0 million for the twelve months ended December 31, 2023 from $23.1 million for the twelve months ended December 31, 2022. The increase reflected a 130 basis point decrease in our net interest rate spread to 1.28% for the twelve months ended December 31, 2023 from 2.58% for the twelve months ended December 31, 2022. Our net interest margin decreased 105 basis points to 1.71% for the twelve months ended December 31, 2023 from 2.76% for the twelve months ended December 31, 2022.

Provision for (recovery of) Credit Losses. We recorded a $125,000 recovery of credit losses for the twelve months ended December 31, 2023 compared to a $425,000 provision for loan losses for the twelve-month period ended December 31, 2022. The Bank had a decrease in the loan portfolio as well as no charge-offs offset by increased delinquent and non-performing loans. As of January 1, 2023 the Bank adopted CECL and recorded a one-time adjustment of $157,000 to the allowance for credit losses.

Non-Interest Income. Non-interest income increased by $15,000, or 1.4%. Gain on sale of loans decreased $58,000, or 66.2%, as loan originations were lower in 2023 due to the higher interest rate environment and the decision to slow loan production to preserve capital and liquidity. Other income decreased $41,000 or 25.1%. Income from bank-owned life insurance increased $87,000, or 12.5%, due to higher balances during 2023.

Non-Interest Expenses. For the twelve months ended December 31, 2023, non-interest expense increased $1.5 million, or 10.3%, over 2022. Salaries and employee benefits increased $1.1 million, or 12.7%, due to an accrual of a severance contract for the retirement of the previous President and a higher employee count. Director fees decreased $181,000, or 22.6%, due to lower pension expense. Professional fees increased $115,000 or 21.1%, due to higher legal expense. FDIC insurance premiums increased $198,000, or 89.9%, due to a higher assessment rate in 2023. Data processing decreased $163,000, or 14.4%, due to the timing of invoices. Other expense increased $341,000, or 34.6%, due to an instance of wire fraud related to a customer account that is under review with the insurance company.

Income Tax Expense. Income taxes decreased $2.8 million, or 106.2%, to a benefit of $162,000 for the twelve months ended December 31, 2023 from $2.6 million expense for the twelve months ended December 31, 2022. The decrease was due to $9.0 million, or 94.9%, of lower taxable income. The effective tax rate for the twelve months ended December 31, 2023 and 2022 was (33.76%) and 27.55%, respectively.

Management of Market Risk

General. The majority of our assets and liabilities are monetary. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of loans and securities, have longer maturities than our liabilities, consisting primarily of deposits and borrowings. As a result, a principal part of our business strategy is to manage our exposure to changes in market interest rates. Accordingly, our board of directors has an Asset/Liability Management Committee (the "ALCO"), which is comprised of three members of executive management and two independent directors, which oversees the asset/liability management process and related procedures. The ALCO meets on at least a quarterly basis and reviews asset/liability strategies, liquidity positions, alternative funding sources, interest rate risk measurement reports, capital levels and economic trends at both national and local levels. Our interest rate risk position is also monitored quarterly by the board of directors.

We manage our interest rate risk to mitigate the exposure of our earnings and capital to changes in market interest rates. We have implemented the following strategies to manage our interest rate risk: originating loans with adjustable interest rates; promoting core deposit products; monitoring the length of our borrowings with the Federal Home Loan Bank and brokered deposits depending on the interest rate environment; maintaining a portion of our investments as available-for-sale; diversifying our loan portfolio; and strengthening our capital position. By following these strategies, we believe that we are better positioned to react to changes in market interest rates.

Net Portfolio Value Simulation. We analyze our sensitivity to changes in interest rates through a net portfolio value of equity ("NPV") model. NPV represents the present value of the expected cash flows from our assets less the present value of the expected cash flows arising from our liabilities adjusted for the value of off-balance sheet contracts. The NPV ratio represents the dollar amount of our NPV divided by the present value of our total assets for a given interest rate scenario. NPV attempts to quantify our economic value using a discounted cash flow methodology while the NPV ratio reflects that value as a form of capital ratio. We estimate what our NPV would be at a specific date. We then calculate what the NPV would be at the same date throughout a series of interest rate scenarios representing immediate and permanent, parallel shifts in the yield curve. We currently calculate NPV under the assumptions that interest rates increase 100, 200, 300 and 400 basis points from current market rates and that interest rates decrease 100, 200, 300 and 400 points from current market rates.

The following table presents the estimated changes in our net portfolio value that would result from changes in market interest rates as December 31, 2023. All estimated changes presented in the table are within the policy limits approved by the board of directors.

	NPV (Dollars in thousands)			NPV as Percent of Portfolio Value of Assets	
Basis Point ("bp") Change in Interest Rates	**Dollar Amount**	**Dollar Change**	**Percent Change**	**NPV Ratio**	**Change**
400 bp	$ 65,917	$ (52,510)	(44.34)%	7.97%	(44.08)%
300 bp	78,070	(40,357)	(34.08)	9.23	(19.79)
200 bp	90,909	(27,518)	(23.24)	10.52	(19.63)
100 bp	104,512	(13,915)	(11.75)	11.82	(9.70)
0	118,427	—	—	13.09	—
(100) bp	132,213	13,786	34.88	14.29	38.66
(200) bp	145,616	27,189	46.19	15.38	37.13
(300) bp	158,179	39,752	33.57	16.35	34.61
(400) bp	169,514	51,087	43.14	17.16	31.09

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The above table assumes that the composition of our interest-sensitive assets and liabilities existing at the date indicated remains constant uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our NPV and will differ from actual results.

Net Interest Income Analysis. We also use income simulation to measure interest-rate risk inherent in our balance sheet at a given point in time by showing the effect on net interest income, over specified time frames and using different interest rate shocks and ramps. The assumptions include management's best assessment of the effect of changing interest rates on the prepayment speeds of certain assets and liabilities, projections for account balances in each of the product lines offered and the historical behavior of deposit rates and balances in relation to changes in interest rates. These assumptions are subject to change, and as a result, the model is not expected to precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from the simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in the balance sheet composition and market conditions. Assumptions are supported with quarterly back testing of the model to actual market rate shifts.

As of December 31, 2023, net interest income simulation results indicated that its exposure over one year to changing interest rates was within our guidelines. The following table presents the estimated impact of interest rate changes on our estimated net interest income over one year:

Changes in Interest Rates (basis points)[1]	Change in Net Interest Income Year One (% change from year one base)
400 bp	-41.48
300 bp	-31.31
200 bp	-20.71
100 bp	-10.21
0	0
(100) bp	8.74
(200) bp	12.50
(300) bp	13.98
(400) bp	13.09

(1) The calculated change in net interest income assumes an instantaneous parallel shift of the yield curve.

The preceding simulation analysis does not represent a forecast of actual results and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions, which are subject to change, including: the nature and timing of interest rate levels including the yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows, and others. Also, as market conditions vary, prepayment/refinancing levels, the varying impact of interest rate changes on caps and floors embedded in adjustable-rate loans, early withdrawal of deposits, changes in product preferences, and other internal/external variables will likely deviate from those assumed.

Liquidity and Capital Resources

Liquidity. Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing needs and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities and proceeds from calls, maturities and sales of securities. We also have the ability to borrow from the Federal Home Loan Bank of New York. At December 31, 2023, we had the ability to borrow up to $308.2 million, of which $167.7 million was outstanding and $1.5 million was utilized as collateral for letters of credit issued to secure municipal deposits resulting in remaining availability of $140.4 million. At December 31, 2023, we also had $54.0 million in unsecured lines of credit with four correspondent banks with no outstanding balances.

The board of directors is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we had enough sources of liquidity to satisfy our short- and long-term liquidity needs as of December 31, 2023.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan sales and prepayments are greatly influenced by market interest rates, economic conditions, and competition. Our most liquid assets are cash and cash equivalents. The levels of these assets are dependent on our operating, financing, lending and investing activities during any period. At December 31, 2023, cash and cash equivalents totaled $24.9 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled $68.9 million with a unrealized loss of $9.2 million at December 31, 2023.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Certificates of deposit due within one year of December 31, 2023 totaled $430.8 million, or 68.9% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including other deposits and Federal Home Loan Bank of New York advances. Depending on market conditions, we may be required to pay higher rates on such deposits or borrowings than we currently pay. We believe, however, based on past experience that a significant portion of such deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Capital Resources. The Bank is subject to various regulatory capital requirements administered by NJDBI and the Federal Deposit Insurance Corporation. At December 31, 2023, we exceeded all applicable regulatory capital requirements, and were considered "well capitalized" under regulatory guidelines. See Note 13 in the Notes to the consolidated financial statements.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Off-Balance Sheet Arrangements. We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. The financial instruments include commitments to originate loans, unused lines of credit and standby letters of credit, which involve elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Our exposure to credit loss is represented by the contractual amount of the instruments. We use the same credit policies in making commitments as we do for on-balance sheet instruments.

At December 31, 2023, we had $21.3 million of commitments to originate loans, comprised of $2.7 million of residential loans, $18.7 million of commitments under commercial loans and lines of credit (including $16.8 million of unadvanced portions of commercial construction loans), $50.2 million of commitments under home equity loans and lines of credit and $2.6 million of unfunded commitments under consumer lines of credit. See Note 14 in the Notes to the consolidated financial statements for further information. Upon adoption of the CECL method of calculating the ACL on January 1, 2023, the Bank recorded a one-time increase in the reserve for unfunded liabilities of $152,000.

The reserve for unfunded commitments (the "Unfunded Reserve") represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The Unfunded Reserve is recognized as a liability (other liabilities in the consolidated statements of condition), with adjustments to the reserve recognized in other noninterest expense in the consolidated statements of income. The Unfunded Reserve is determined by estimating future draws and applying the expected loss rates on those draws. Future draws are based on historical averages of utilization rates (i.e., the likelihood of draws taken). To estimate future draws on unfunded balances, current utilization rates are compared to historical utilization rates. If current utilization rates are below historical utilization rates, the rate difference is applied to the committed balance to estimate the future draw. Loss rates are estimated by utilizing the same loss rates calculated for the allowance general reserve.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

Please refer to Note 1 in the Notes to the consolidated financial statements that appear starting on page 54 of this Annual Report on Form 10-K for a description of recent accounting pronouncements that may affect our financial condition and results of operations.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with U.S. GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, market interest rates generally have a more significant impact on a financial institution's performance than inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

ITEM 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>

For information regarding market risk, see Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Management of Market Risk."

ITEM 8. <u>Financial Statements and Supplementary Data</u>

2023 Auditor firm PCAOB number: 74 Auditor name: S. R. Snodgrass P.C. Auditor location: Cranbury Township, PA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Bogota Financial Corp.

Opinion on the Financial Statements

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

Change in Accounting Principle

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

Basis for Opinion

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

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

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

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

/s/S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 28, 2024

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and due from banks	$ 13,567,115	$ 8,160,028
Interest-bearing deposits in other banks	11,362,356	8,680,889
Cash and cash equivalents	24,929,471	16,840,917
Securities available for sale	68,888,179	85,100,578
Securities held to maturity (at fair value of $65,374,753 and $70,699,651 respectively)	72,656,179	77,427,309
Loans, net of allowance $2,785,949 and $2,578,174, respectively	714,688,635	719,025,762
Premises and equipment, net	7,687,387	7,884,335
Federal Home Loan Bank ("FHLB") stock	8,616,100	5,490,900
Accrued interest receivable	3,932,785	3,966,651
Core deposit intangibles	206,116	267,272
Bank owned life insurance	30,987,851	30,206,325
Other assets	6,731,500	4,888,954
Total assets	$ 939,324,203	$ 951,099,003
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	$ 30,554,842	$ 38,653,349
Interest bearing	594,792,300	662,758,100
	625,347,142	701,411,449
FHLB advances-short term	37,500,000	59,000,000
FHLB advances-long term	130,189,663	43,319,254
Advance payments by borrowers for taxes and insurance	2,733,709	3,174,661
Other liabilities	6,380,486	4,534,516
Total liabilities	802,151,000	811,439,880
Stockholders' Equity		
Preferred stock $0.01 par value 1,000,000 shares authorized, none issued and outstanding at December 31,2023, and 2022	—	—
Common stock $0.01 par value, 30,000,000 shares authorized, 13,279,230 issued and outstanding at December 31, 2023 and 13,699,016 at December 31, 2022	132,792	136,989
Additional Paid-In capital	56,149,915	59,099,476
Retained earnings	92,177,068	91,756,673
Unearned ESOP shares (409,750 shares at December 31, 2023 and 436,495 shares at December 31, 2022)	(4,821,798)	(5,123,002)
Accumulated other comprehensive loss	(6,464,774)	(6,211,013)
Total stockholders' equity	137,173,203	139,659,123
Total liabilities and stockholders' equity	$ 939,324,203	$ 951,099,003

See accompanying notes to consolidated financial statements

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2023 and 2022

		2023		2022
Interest income				
Loans	$	32,046,033	$	26,264,486
Securities				
Taxable		4,070,144		3,516,832
Tax-exempt		91,428		161,187
Other interest-earning assets		1,072,240		403,969
Total interest income		37,279,845		30,346,474
Interest expense				
Deposits		18,023,772		5,106,517
FHLB of New York advances		4,282,603		2,162,217
Total interest expense		22,306,375		7,268,734
Net interest income		14,973,470		23,077,740
Provision for (recovery of) credit losses		(125,000)		425,000
Net interest income after provision for (recovery of) credit losses		15,098,470		22,652,740
Non-interest income				
Fees and service charges		206,763		179,734
Gain on sale of loans		29,375		86,913
Bank owned life insurance		781,526		694,900
Other		121,371		162,126
Total non-interest income		1,139,035		1,123,673
Non-interest expenses				
Salaries and employee benefits		9,820,128		8,713,734
Occupancy and equipment		1,474,107		1,390,718
Federal Deposit Insurance Corporation (“FDIC”) insurance premiums		418,215		220,210
Data processing		969,398		1,132,790
Advertising		465,064		492,859
Director fees		619,650		800,611
Professional fees		661,045		546,004
Other		1,329,520		988,081
Total non-interest expenses		15,757,127		14,285,007
Income before income taxes		480,378		9,491,406
Income tax (benefit) expense		(162,157)		2,614,545
Net income	$	642,535	$	6,876,861
Earnings per share - basic	$	0.05	$	0.51
Earnings per share - diluted	$	0.05	$	0.51
Weighted average shares outstanding		12,891,847		13,570,407
Weighted average shares outstanding - diluted		12,891,847		13,576,934

See accompanying notes to consolidated financial statements

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2023 and 2022

	2023	2022
Net income	$ 642,535	$ 6,876,861
Net comprehensive (loss) income:		
Unrealized losses on securities available for sale:		
Unrealized holding loss arising during the period	(194,520)	(9,064,994)
Tax effect	54,680	2,548,170
Net of tax	(139,840)	(6,516,824)
Defined benefit retirement plans:		
Unrealized (loss) gain arising during the period including changes in assumptions	(167,170)	249,184
Reclassification adjustment for amortization of prior service cost and net gain/loss included in salaries and employee benefits	94,315	231,406
Tax effect, income tax benefit	19,720	(135,092)
Net of tax	(53,135)	345,498
Derivatives, net of tax:		
Unrealized (loss) gain on swap contracts accounted for as cash flow hedges	(84,554)	324,062
Tax effect	23,768	(91,093)
Net of tax	(60,786)	232,969
Total other comprehensive loss	(253,761)	(5,938,357)
Comprehensive income	$ 388,774	$ 938,504

See accompanying notes to consolidated financial statements

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF EQUITY
Years ended December 31, 2023 and 2022

	Common Stock Shares	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unearned ESOP shares	Total Equity
Balance January 1, 2022	14,605,809	$ 146,057	$ 68,247,204	$84,879,812	$ (272,656)	$(5,424,206)	$147,576,211
Net income	—	—	—	6,876,861	—	—	6,876,861
Stock based compensation	—	—	932,772	—	—	—	932,772
Other comprehensive loss	—	—	—	—	(5,938,357)	—	(5,938,357)
Stock purchased and retired	(906,793)	(9,068)	(10,060,086)	—	—	—	(10,069,154)
ESOP shares released	—	—	(20,414)	—	—	301,204	280,790
Balance December 31, 2022	13,699,016	$ 136,989	$ 59,099,476	$91,756,673	$ (6,211,013)	$(5,123,002)	$139,659,123
Adoption of ASC 326	—	—	—	(222,140)	—	—	(222,140)
Net income	—	—	—	642,535	—	—	642,535
Stock based compensation	—	—	932,772	—	—	—	932,772
Other comprehensive loss	—	—	—	—	(253,761)	—	(253,761)
Stock purchased and retired	(419,786)	(4,197)	(3,805,999)	—	—	—	(3,810,196)
ESOP shares released	—	—	(76,334)	—	—	301,204	224,870
Balance December 31, 2023	13,279,230	132,792	56,149,915	92,177,068	(6,464,774)	(4,821,798)	137,173,203

See accompanying notes to consolidated financial statements

BOGOTA FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income	$ 642,535	$ 6,876,861
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of intangible assets	(56,583)	(229,718)
Provision for (recovery of) credit losses	(125,000)	425,000
Depreciation of premises and equipment	514,983	485,118
Amortization (Accretion) of deferred loan (fees) costs, net	141,459	(147,240)
Amortization of premiums and accretion of discounts on securities, net	30,933	155,525
Deferred income tax benefit expense	(624,390)	503,307
Gain on sale of loans	(29,375)	(86,913)
Proceeds from sale of loans	1,875,125	4,640,081
Origination of loans held for sale	(1,845,750)	(3,400,668)
Increase in cash surrender value of bank owned life insurance	(781,526)	(682,204)
Employee stock ownership plan	224,870	280,792
Stock based compensation	932,772	932,772
Changes in		
Accrued interest receivable	33,866	(1,254,046)
Net changes in other assets	(1,150,276)	1,740,149
Net changes in other liabilities	1,653,708	617,367
Net cash provided by operating activities	1,437,351	10,856,183
Cash flows from investing activities		
Purchases of securities available for sale	-	(67,461,181)
Purchases of securities held to maturity	(8,701,929)	(25,120,238)
Maturities, calls, and repayments of securities available for sale	15,986,947	14,978,881
Maturities, calls, and repayments of securities held to maturity	13,473,059	21,746,028
Net decrease (increase) in loans	4,205,323	(148,982,268)
Purchase of bank owned life insurance	-	(5,000,000)
Purchases of premises and equipment	(318,035)	(241,474)
Purchase of FHLB stock	(9,493,400)	(8,327,700)
Redemption of FHLB stock	6,368,200	7,688,100
Net cash provided by (used in) investing activities	21,520,165	(210,719,852)
Cash flows from financing activities		
Net (decrease) increase in deposits	(76,025,392)	104,037,056
Net (decrease) increase in short-term FHLB advances	(21,500,000)	53,000,000
Proceeds (repayments) of long-term FHLB non-repo advances	86,907,578	(35,650,642)
Net (decrease) increase in advance payments from borrowers for taxes and insurance	(440,952)	318,541
Repurchase of common stock	(3,810,196)	(10,069,154)
Net cash (used in) provided by financing activities	(14,868,962)	111,635,801
Net increase (decrease) in cash and cash equivalents	8,088,554	(88,227,868)
Cash and cash equivalents – beginning of year	16,840,917	105,068,785
Cash and cash equivalents – end of year	$ 24,929,471	$ 16,840,917
Supplemental cash flow information		
Income taxes paid	$ 1,375,000	$ 2,225,000
Interest paid	$ 21,640,118	$ 6,896,809

See accompanying notes to consolidated financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: On January 15, 2020, Bogota Financial Corp. (the "Company," "we" or "our") became the mid-tier stock holding company for Bogota Savings Bank (the "Bank") in connection with the reorganization of Bogota Savings Bank into the two-tier mutual holding company structure.

The Bank maintains two subsidiaries Bogota Securities Corp, which was formed for the purpose of buying, selling and holding investment securities and Bogota Properties, LLC, which was inactive at December 31, 2023.

The Bank generally originates residential, commercial and consumer loans to, and accepts deposits from, customers in New Jersey. The debtors' ability to repay loans is dependent upon the region's economy and the borrowers' circumstances. The Bank is also subject to the regulations of and examinations by certain federal and state regulatory agencies.

Bogota Financial Corp. completed its stock offering in connection with the mutual holding company reorganization of Bogota Savings Bank on January 15, 2020. The Company sold 5,657,735 shares of common stock at $10.00 per share for gross proceeds of $56.6 million. In connection with the reorganization, the Company also issued 263,150 shares of common stock and $250,000 in cash to Bogota Savings Bank Charitable Foundation, Inc. and 7,236,640 shares of common stock to Bogota Financial, MHC, its New Jersey-chartered mutual holding company.

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

Earnings per Share: Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. For purposes of calculating basic EPS, weighted average common shares outstanding excludes unallocated employee stock ownership plan shares that have not been committed for release. Diluted EPS is computed using the same method as basic EPS and reflects the potential dilution which could occur if stock options shares were exercised and converted into common stock. The potentially dilutive shares would then be included in the weighted average number of shares outstanding for the period using the treasury stock method. For the twelve-month periods ended December 31, 2023 and 2022, options to purchase 523,619 common shares with an exercise price of $10.45 were outstanding but were not included in the calculation of diluted EPS because the options were anti-dilutive.

The following is a reconciliation of the numerators and denominators of the basic earnings per share calculations for the years ended December 31, 2023 and 2022.

	For the year ended December 31, 2023	For the year ended December 31, 2022
Net income	$ 642,535	$ 6,876,861
Basic earnings per share:		
Weighted average shares outstanding - basic	12,891,847	13,570,407
Weighted average shares outstanding - diluted	12,891,847	13,576,934
Dilutive securities	—	6,527
Basic earnings per share - basic	$ 0.05	$ 0.51
Basic earnings per share - diluted	$ 0.05	$ 0.51

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided. Actual results could differ.

Cash Flows: Cash and cash equivalents include cash and deposits with other banks with original maturities of 90 days or less. Net cash flows are reported for customer loan and deposit transactions and short-term FHLB advances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest-Bearing Deposits in Other Banks: Interest-bearing deposits in other banks have original maturities of 90 days or less and are carried at cost.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss), net of tax.

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

The Bank's held-to-maturity ("HTM") debt securities are also required to utilize the Current Expected Credit Losses ("CECL") approach to estimate expected credit losses. Substantially all of the Company’s HTM debt securities are issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government, are widely recognized as “risk free,” and have a long history of zero credit loss. Therefore, the Company did not record an allowance for credit losses for these securities.

The impairment model for available-for-sale (“AFS”) debt securities differs from the CECL approach utilized by HTM debt securities because AFS debt securities are measured at fair value rather than amortized cost. Although ASU No. 2016-13 replaced the legacy other-than-temporary impairment (“OTTI”) model with a credit loss model, it retained the fundamental nature of the legacy OTTI model. One notable change from the legacy OTTI model is when evaluating whether credit loss exists, an entity may no longer consider the length of time fair value has been less than amortized cost. For AFS debt securities in an unrealized loss position, the Company first 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 criteria is met, the security’s amortized cost basis is written down to fair value through income. For AFS debt securities 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 a provision for (or reversal of) credit losses. Losses are charged against the allowance when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2023, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and management had the intent and ability to hold to recovery, therefore, an allowance for credit losses was not recorded.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. The Bank originates real estate, commercial and consumer loans. A substantial portion of the loan portfolio is represented by loans in northern New Jersey. The ability of the Bank’s debtors to honor their contracts is dependent upon the real estate values and general economic conditions in this area. 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 real estate, commercial and consumer loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days and still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to nonaccrual status in accordance with the Bank’s policy, typically after 90 days of non-payment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All interest accrued but not received for loans placed on nonaccrual status 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 status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses - Loans and Leases: The current expected credit loss ("CECL") model requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It replaces the incurred loss model that delayed the recognition of a credit loss until it was probable that a loss event was incurred.

The estimate of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the historical period used. The Company considers future economic conditions and portfolio performance as part of a reasonable and supportable forecast.

Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses ("ACL"). The Company has designated six portfolio segments, which are residential, commercial real estate, multi-family, construction, commercial and industrial and consumer. These portfolio segments are further disaggregated into classes, which represent loans and leases of similar type, risk characteristics, and methods for monitoring and assessing credit risk.

The Company has minimal history of credit losses and therefore uses the Weighted Average Remaining Maturity (WARM) method for all segments and relies on the use of qualitative factors to determine future credit losses.

The Company considers the impact of current environmental factors at the reporting date that did not exist over the period from which historical experience was used. Relevant factors include, but are not limited to, concentrations of credit risk (geographic, large borrower, and industry), economic trends and conditions, changes in underwriting standards, experience and depth of lending staff, trends in delinquencies, and the level of criticized loans.

The Company also incorporates a one-year reasonable and supportable loss forecast period to account for the effect of forecasted economic conditions and other factors on the performance of the commercial portfolio, which could differ from historical loss experience. The Company performs a quarterly asset quality review, which includes a review of forecasted gross charge-offs and recoveries, non-performing assets, criticized loans and leases, and risk rating migration. The asset quality review is reviewed by management and the results are used to consider a qualitative overlay to the quantitative baseline. After the one-year reasonable and supportable loss forecast period, this overlay adjustment assumes an immediate reversion to historical loss rates for the remaining loan life period.

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans included in the quantitative baseline. These individually evaluated loans are removed from the pooling approach discussed above for the quantitative baseline, and include non-accrual loans, and other loans as deemed appropriate by management.

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral's fair value less cost to sell. In most cases, the Company records a partial charge-off to reduce the loan's carrying value to the collateral's fair value less cost to sell. Substantially all of the collateral consists of various types of real estate including: residential properties; commercial properties, such as retail centers, office buildings, and lodging; agriculture land; and vacant land.

The reserve for unfunded commitments (the "Unfunded Reserve") represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The Unfunded Reserve is recognized as a liability (other liabilities in the consolidated statements of financial condition), with adjustments to the reserve recognized in other noninterest expense in the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

consolidated statements of income. The Unfunded Reserve is determined by estimating future draws and applying the expected loss rates on those draws. Future draws are based on historical averages of utilization rates (i.e., the likelihood of draws taken). To estimate future draws on unfunded balances, current utilization rates are compared to historical utilization rates. If current utilization rates are below historical utilization rates, the rate difference is applied to the committed balance to estimate the future draw. Loss rates are estimated by utilizing the same loss rates calculated for the allowance general reserves.

<u>Acquired Loans:</u> Loans acquired in a business combination that have experienced more-than-insignificant deterioration in credit quality since origination are considered purchased with credit deterioration ("PCD") loans. The Company evaluated acquired loans for deterioration in credit quality based on, but not limited to, the following: (1) non-accrual status; (2) previously a troubled debt restructured designation; (3) risk ratings of special mention, substandard or doubtful; or (4) delinquency status. At the acquisition date, an estimate of expected credit losses was made for groups of PCD loans with similar risk characteristics and individual PCD loans without similar risk characteristics. This initial allowance for credit losses is allocated to individual PCD loans and added to the purchase price or acquisition date fair values to establish the initial amortized cost basis of the PCD loans. As the initial allowance for credit losses is added to the purchase price, there is no credit loss expense recognized upon acquisition of a PCD loan. Any difference between the unpaid principal balance of PCD loans and the amortized cost basis is considered to relate to noncredit factors and results in a discount or premium. Discounts and premiums are recognized through interest income on a level-yield method over the life of the loans. For acquired loans not deemed PCD at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income on a level-yield basis over the lives of the related loans. At the acquisition date, an initial allowance for expected credit losses is estimated and recorded as credit loss expense.

Residential First Mortgage Loans – Residential first mortgage loans are generally made on the basis of the borrower's ability to make repayment from his or her employment and other income but are secured by real property whose value tends to be more easily ascertainable. Credit risk for these types of loans is generally influenced by general economic conditions, the characteristics of individual borrowers and the nature of the loan collateral.

Commercial Real Estate Loans – Commercial real estate loans generally have larger balances and involve a greater degree of risk than residential real estate loans, inferring higher potential losses on an individual customer basis. Loan repayment is often dependent on the successful operation and management of the properties and/or businesses occupying the properties, as well as on the collateral securing the loan. Economic events or conditions in the real estate market could have an adverse impact on the cash flows generated by the properties securing the Bank's commercial real estate loans and on the value of such properties.

Construction Loans – Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction and the estimated cost of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, additional funds may be required to be advanced in excess of the amount originally committed to permit completion of the building. If the estimate of value proves to be inaccurate, the value of the building may be insufficient to assure full repayment if liquidation is required. If foreclosure is required on a building before or at completion due to a default, there can be no assurance that all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs will be recovered.

Commercial and Industrial Loans - A commercial and industrial loan is a loan to a business rather than a loan to an individual consumer. These short-term loans generally have an interest rate based on the prime rate and are secured by collateral owned by the business requesting the loan.

Consumer Loans – Consumer loans include home equity lines of credit and home equity loans, which exhibit many of the same credit risk characteristics as residential real estate loans. The amount of a home equity line of credit is generally limited to a certain percentage of the appraised value of the property less the balance of the first mortgage.

<u>Mortgage Loan Sales</u>: The Bank has a partnership through the Federal Home Bank of New York ("FHLBNY") to sell loans within the Mortgage Partnership Finance ("MPF") Program. The MPF Program gives the Bank another alternative to retaining mortgages in portfolio which may increase profits through fees earned through the sale of loans. It allows the Bank to be competitive in all the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

fixed-rate products. In addition, the MPF structure capitalizes on the Bank's credit expertise. MPF combines that expertise with the FHLBNY's expertise in handling interest-rate risk. FHLBNY manages the interest rate, the liquidity and the prepayment risks, while the Bank manages the credit and servicing risks. The result involves the member receiving a very competitive price for loans plus fees over time for managing the credit and servicing risks. Loans are sold at origination; gains or losses on the sale of mortgage loans are recognized at the settlement date and are determined by the difference between the net proceeds and the amortized cost. All loans are sold with servicing being retained by the Bank. The outstanding principal balances sold and serviced by the Bank under the program were $3,865,316 and $3,987,257 at December 31, 2023 and 2022, respectively. Under the program, the first layer of losses is paid by the FHLBNY up to 100 basis points of the total funded amount of loans sold. (the “First Loss Account”).

The Bank then provides a second loss credit enhancement obligation, which is equivalent to “AA” credit risk less the First Loss Account. Loan losses beyond the first and second layers are absorbed by the FHLBNY. There were no losses as of December 31, 2023 on the loans sold under the program. Late fees and ancillary fees related to loan servicing are not material.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Building and related components are depreciated using the straight-line method with useful lives ranging from fifteen to 39 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from one to ten years. Leasehold improvements are amortized over the shorter of the terms of the respective leases or the estimated lives of the improvements.

Federal Home Loan Bank (“FHLB”) Stock: FHLB stock is restricted stock, which is carried at cost, and periodically evaluated for impairment based on ultimate recovery of par value. Federal law requires a member institution of the FHLB to hold stock according to a predetermined formula. Dividends are recorded as income on the consolidated statement of income.

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

Intangible Assets: Intangible assets, other than goodwill, include core deposit intangibles and mortgage servicing rights ("MSRs"). Core deposit intangibles are a measure of the value of consumer demand and savings deposits acquired in business combinations accounted for as purchases. The core deposit intangibles are being amortized over 10 years using the sum-of-the-years digits method of amortization, while the covenant not to compete was amortized over four years on a straight-line basis.

MSRs arise from the Company originating certain loans for the express purpose of selling such loans in the secondary market. The Company maintains all servicing rights for these loans. The loans held for sale are carried at lower of cost or market value. Originated MSRs are recorded by allocating total costs incurred between the loans and servicing rights based on their relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimated life of the servicing portfolio and measured annually for impairment.

The recoverability of the carrying value of intangible assets is evaluated on an ongoing basis, and permanent declines in value, if any, are charged to expense.

Advertising Costs: Advertising costs are expensed as incurred. Any direct response advertising conducted by the Bank is immaterial and has not been capitalized. Advertising costs are included in “non-interest expenses” in the consolidated statements of income.

Off-Balance-Sheet Financial Instruments: In the ordinary course of business, the Bank enters into off-balance-sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the consolidated statement of financial condition when funded.

Income Taxes: Income tax (benefit) expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Bank had no unrecognized tax positions as of December 31, 2023 or 2022.

The Company recognizes interest and/or penalties related to income tax matters in income tax (benefit) expense.

Retirement Plans: Pension expense is the net of service and interest cost and amortization of gains and losses not immediately recognized. Employee 401(k) plan expense is the amount of matching and safe harbor contributions. Profit sharing expense is based on the amount of contributions made by the Bank as determined by the Board of Directors. Director’s retirement plan expense allocates the benefits over years of service. Supplemental Retirement Plan expense allocates the benefits over years of service.

Stock Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the grant date. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company’s common shares at the date of the grant is used for restricted shares. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive (loss) income. Other comprehensive (loss) income includes net unrealized holding gains and losses on securities available for sale and net unrealized gains and losses on the pension plan which are also recognized as separate components of equity and the change in fair value of the Company's swap derivatives.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Recoveries, including proceeds from insurance claims are evaluated separately from loss contingencies and recognized when realized.

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

Operating Segments: While the chief decision-makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a Bank-wide basis. Management does not separately allocate expenses, including the cost of funding loan demand, between the commercial and retail operations of the Bank. As such, discrete financial information is not available and segment reporting would not be meaningful.

Derivatives and Hedging Activities: The Company uses derivative financial instruments principally to manage interest rate risk. Certain derivatives are entered into in connection with transactions with commercial customers. Derivatives are not used for speculative purposes. All derivatives are recognized as either assets or liabilities in the Consolidated Statements of Financial Condition, reported at fair value and presented on a gross basis. Until a derivative is settled, a favorable change in fair value results in an unrealized gain that is recognized as an asset, while an unfavorable change in fair value results in an unrealized loss that is recognized as a liability.

The Company generally applies hedge accounting to its derivatives used for market risk management purposes. Hedge accounting is permitted only if specific criteria are met, including a requirement that a highly effective relationship exists between the derivative instrument and the hedged item, both at inception of the hedge and on an ongoing basis. Changes in the fair value of effective fair value hedges are recognized in current earnings (with the change in fair value of the hedged asset or liability also recognized in earnings). Changes in the fair value of effective cash flow hedges are recognized in other comprehensive income (loss) until earnings are affected by the variability in cash flows of the designated hedged item. Ineffective portions of hedge results are recognized in current earnings. Changes in the fair value of derivatives for which hedge accounting is not applied are recognized in current earnings.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company formally documents at inception all relationships between the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transactions. This process includes linking all derivatives that are designated as hedges to specific assets and liabilities, or to specific firm commitments. The Company also formally assesses, both at inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of the hedged items. If it is determined that a derivative is not highly effective or has ceased to be a highly effective hedge, the Company would discontinue hedge accounting prospectively. Gains or losses resulting from the termination of a derivative accounted for as a cash flow hedge remain in other comprehensive income (loss) and is (accreted) amortized to earnings over the remaining period of the former hedging relationship.

Certain derivative financial instruments are offered to certain commercial banking customers to manage their risk of exposure and risk management strategies. These derivative instruments consist primarily of currency forward contracts and interest rate swap contracts. The risk associated with these transactions is mitigated by simultaneously entering into similar transactions having essentially offsetting terms with a third party. In addition, the Company executes interest rate swaps with third parties in order to hedge the interest rate risk of short-term FHLB advances.

Adoption of Accounting Standards:

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments (ASC 326), which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring more timely recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an ACL that is deducted from the amortized cost basis. The ACL should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement was affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. With certain exceptions, transition to the new requirements will be through a cumulative-effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance was adopted. This Update was effective for Securities and Exchange Commission ("SEC") filers that qualify as smaller reporting companies, non-SEC filers, and all other companies, for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company has minimal history of credit losses and therefore uses the WARM method and relies on the use of qualitative factors to determine future credit losses. Upon adoption of the CECL method of calculating the ACL on January 1, 2023, the Bank recorded a one-time decrease, net of tax, in retained earnings of $222,000, an increase to the ACL of $157,000 and, an increase in the reserve for unfunded liabilities of $152,000. No adjustment was made for the available-for-sale securities portfolio. See Note 4 for additional information. The table below includes $125,775 of credit losses on PCI loans that have been added to ACL as per the adoption of ASC 326.

The Bank adopted the provisions of ASC 326 related to financial assets purchased with credit deterioration ("PCD") that were previously classified as PCI loans and accounted for under ASC 310-30 using the prospective transition approach. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $125,775 to the ACL.

The Bank adopted the provisions of ASC 326 related to presenting other-than-temporary impairment on available-for-sale debt securities prior to January 1, 2023 using the prospective transition approach, though no such charges had been recorded on the securities held by the Bank as of the date of adoption.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The effect of the adoption of ASC 326 on the loan portfolio segments and the ACL on January 1, 2023 by portfolio segment was:

Loan Portfolio Segments:	Pre Adoption	The effect of adoption	Post Adoption
Real estate:			
Residential First Mortgage	$ 466,100,627	$ 29,589,213	$ 495,689,840
Commercial and Multi-Family Real Estate	162,338,669	(162,338,669)	—
Commercial Real Estate	—	96,030,721	96,030,721
Multi-Family Real Estate	—	66,400,713	66,400,713
Construction	61,825,478	—	61,825,478
Commercial and Industrial	1,684,189	—	1,684,189
Consumer:			
Home Equity and Other Consumer	29,654,973	(29,654,973)	—
Consumer	—	98,770	98,770
Total loans	721,603,936	125,775	721,729,711
Allowance for credit losses	(2,578,174)	(282,775)	(2,860,949)
Net loans	$ 719,025,762	$ (157,000)	$ 718,868,762

Allowance for Credit Losses:	Pre Adoption	The effect of adoption	Post Adoption
Assets			
ACL on loans			
Residential First Mortgage	$ 1,602,534	$ 211,669	$ 1,814,203
Commercial and Multi-Family Real Estate	615,480	(615,480)	—
Commercial Real Estate	—	522,977	522,977
Multi-Family Real Estate	—	259,769	259,769
Construction	258,500	1,500	260,000
Commercial and Industrial	3,960	40	4,000
Home Equity and Other Consumer	97,700	(97,700)	—
Liabilities			
ACL for unfunded commitments	—	152,000	152,000
Total	$ 2,578,174	$ 434,775	$ 3,012,949

In March 2022, the FASB issued ASU No. 2022-02, *"Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures."* The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted CECL and enhance the disclosure requirements for modifications of receivables made with borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current period gross write-offs by year of origination for financing receivables and net investment in leases in the existing vintage disclosures. This ASU became effective on January 1, 2023 for the Company. The adoption of this ASU resulted in updated disclosures within our financial statements but otherwise did not have a material impact on the Company's financial statements.

Not yet effective Accounting Pronouncements:

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (TOPIC 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Public entities are required to adopt the changes retrospectively, recasting each prior period disclosure for which a comparative income statement is presented in the period of adoption. This update is not expected to have a significant impact on the Company's financial statements.

NOTE 2 – SECURITIES AVAILABLE FOR SALE

The following table summarizes the amortized cost, fair value, and gross unrealized gains and losses of securities available for sale at December 31, 2023 and 2022:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
U.S. government and agency obligations				
One through five years	$ 6,000,000	$ —	$ (454,599)	$ 5,545,401
Corporate bonds due in:				
Less than one year	3,000,000	—	(44,230)	2,955,770
One through five years	8,264,973	—	(247,937)	8,017,036
Five through ten years	1,000,000	—	(154,050)	845,950
MBS – residential	41,105,143	5,182	(5,703,143)	35,407,182
MBS – commercial	18,753,711	—	(2,636,871)	16,116,840
Total	$ 78,123,827	$ 5,182	$ (9,240,830)	$ 68,888,179
December 31, 2022				
U.S. treasury bills				
Less than one year	$ 4,971,310	$ —	$ (43,702)	$ 4,927,608
U.S. government and agency obligations				
One through five years	6,000,000	—	(534,846)	5,465,154
Corporate bonds due in:				
Less than one year	3,022,044	—	(37,230)	2,984,814
One through five years	12,182,364	554	(585,085)	11,597,833
Five through ten years	1,000,000	—	(76,600)	923,400
MBS – residential	44,879,199	2,146	(5,232,300)	39,649,045
MBS – commercial	22,086,788	—	(2,534,064)	19,552,724
Total	$ 94,141,705	$ 2,700	$ (9,043,827)	$ 85,100,578

All of the MBS are issued by the following government sponsored agencies Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”) and Government National Mortgage Association (“GNMA”).

There were no sales of securities during the years ended December 31, 2023 or 2022.

NOTE 2 – **SECURITIES AVAILABLE FOR SALE** (Continued)

The age of unrealized losses and the fair value of related securities as of December 31, 2023 and 2022 were as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
U.S. government and agency obligations	$ —	$ -	$ 5,545,401	$ ($454,599)	$ 5,545,401	$ ($454,599)
Corporate bonds	1,999,940	(60)	9,818,816	(446,157)	11,818,756	(446,217)
MBS – residential	-	-	34,829,468	(5,703,143)	34,829,468	(5,703,143)
MBS – commercial	-	-	16,116,840	(2,636,871)	16,116,840	(2,636,871)
Total	$ 1,999,940	$ (60)	$ 66,310,525	$ (9,240,770)	$ 68,310,465	$ (9,240,830)

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2022						
U.S. treasury bills	$ 4,927,608	$(43,702)	$ —	$—	$ 4,927,608	$ ($43,702)
U.S. government and agency obligations	2,758,248	(241,752)	2,706,906	(293,094)	5,465,154	(534,846)
Corporate bonds	11,859,089	(392,367)	2,647,402	(306,548)	14,506,491	(698,915)
MBS – residential	16,474,573	(1,557,718)	22,801,879	(3,674,582)	39,276,452	(5,232,300)
MBS – commercial	9,449,159	(857,122)	10,103,565	(1,676,942)	19,552,724	(2,534,064)
Total	$ 45,468,677	$(3,092,661)	$ 38,259,752	$(5,951,166)	$ 83,728,429	$(9,043,827)

Unrealized losses on corporate bonds available for sale have not been recognized into income because the issuer bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The Bank has 44 securities in a loss position and does not consider these securities to be other-than-temporary impaired at December 31, 2023.

At December 31, 2023 and 2022, securities available for sale with a carrying value of $113,415 and $126,662, respectively, were pledged to secure public deposits.

Unrealized losses on corporate bonds available for sale are not considered to be credit losses because the issuer bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value was due to changes in interest rates and other market conditions. At December 31, 2023, 100% of the mortgage-backed securities were issued by U.S. government-sponsored entities and agencies, primarily FNMA and FHLMC, institutions which the government has affirmed its commitment to support. Because the decline in fair value was attributable to changes in interest rates and illiquidity, and not credit quality, and because the Bank does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Bank does not consider these losses to be credit-related at December 31, 2023. As of December 31, 2023, no ACL was required on available-for-sale securities. At December 31, 2022 the Bank did not consider these securities to be other-than-temporary impaired.

Effective January 1, 2023, the Company adopted ASC 326, which requires management to complete an evaluation of the held-to-maturity securities portfolio to identify whether any ACL is required. Management completed an evaluation as of the adoption date and determined the ACL on the held-to-maturity portfolio was not significant. This determination was based on financial review of securities and ratings of each security.

NOTE 3 – **SECURITIES HELD TO MATURITY**

The following table summarizes the amortized cost, fair value, and gross unrecognized gains and losses of securities held to maturity at December 31, 2023 and 2022:

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2023				
U.S. government and agency obligations due in				
One through five years	$ 10,000,000	$ —	$ (314,240)	$ 9,685,760
More than five years through ten years	3,000,000	—	(372,885)	2,627,115
Corporate Bonds due in:				
One through five years	6,431,007	—	(52,685)	6,378,322
Five through ten years	16,294,604	38,684	(2,074,007)	14,259,281
Greater than ten years	4,287,941	—	(441)	4,287,500
Municipal obligations due in:				
One through five years	901,597	—	(55,102)	846,495
More than five years through ten years	1,591,199	784	(160,655)	1,431,328
Greater than ten years	507,716	—	(103,356)	404,360
MBS –				
Residential	12,484,366	7,223	(1,457,104)	11,034,485
Commercial	17,157,749	-	(2,737,642)	14,420,107
	$ 72,656,179	$ 46,691	$(7,328,117)	$ 65,374,753
December 31, 2022				
U.S. government and agency obligations due in				
One through five years	$ 10,000,000	$ —	$ (456,850)	$ 9,543,150
Five years through ten years	3,000,000	-	(466,866)	2,533,134
Corporate Bonds due in:				
One through five years	2,444,729	1,269	(55,836)	2,390,162
Five through ten years	15,825,262	54,738	(1,045,557)	14,834,443
Municipal obligations due in:				
Less than one year	7,706,402	—	(36,250)	7,670,152
One through five years	902,545	—	(84,742)	817,803
More than five years through ten years	375,000	1,286	—	376,286
Greater than ten years	1,728,184	—	(346,586)	1,381,598
MBS –				
Residential	14,425,827	410	(1,431,861)	12,994,376
Commercial	21,019,360	-	(2,860,813)	18,158,547
	$ 77,427,309	$ 57,703	$(6,785,361)	$ 70,699,651

Mortgage-backed securities include Freddie Mac, Fannie Mae and Ginnie Mae securities, all of which are U.S. government sponsored agencies. There are no non-preforming held to maturity securities at December 31, 2023.

NOTE 3 – **SECURITIES HELD TO MATURITY** (Continued)

The age of unrecognized losses and the fair value of related securities were as follows:

	U.S. government and agency obligations	**Corporate bonds**	**Municipal obligations**	**MBS – residential**	**MBS – commercial**
December 31, 2023					
Credit Rating					
AAA/AA/A	$ 12,312,875	$ 11,469,219	$ 2,682,183	$ 11,034,485	$ 14,420,107
BBB/BB/B	—	4,999,038	—	—	—
Lower than B	—	—	—	—	—
Not Rated	—	8,456,846	—	—	—
Total	$ 12,312,875	$ 24,925,103	$ 2,682,183	$ 11,034,485	$ 14,420,107

	Less than 12 Months		**More than 12 Months**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2022						
U.S. government and agency obligations	$ 9,543,150	$ (456,850)	$ 2,533,134	$ (466,866)	$ 12,076,284	$ (923,716)
Corporate bonds	11,464,282	(680,447)	3,329,054	(420,946)	14,793,336	(1,101,393)
Municipal obligations	7,670,152	(36,250)	2,199,401	(431,328)	9,869,553	(467,578)
MBS – residential	2,008,303	(101,341)	10,809,648	(1,330,520)	12,817,951	(1,431,861)
MBS – commercial	7,383,822	(282,984)	10,774,725	(2,577,829)	18,158,547	(2,860,813)
Total	$ 38,069,709	$ (1,557,872)	$ 29,645,962	$ (5,227,489)	$ 67,715,671	$ (6,785,361)

No ACL on the securities above has been recorded because the issuers of the securities are of high credit quality and the decline in fair value was due to changes in interest rates and other market conditions. Unrecognized losses have not been recognized into income because the issuers of the securities are of high credit quality, management does not intend to sell and it is not more likely than not that management would be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach maturity. The Bank has 55 securities in a loss position as of December 31, 2023.

At December 31, 2023 and 2022, securities held to maturity with a carrying amount of $1,589,747 and $5,293,804, respectively, were pledged to secure repurchase agreements at the FHLB of New York (see Note 9).

At December 31, 2023 and 2022, securities held to maturity with a carrying value of $4,976,927 and $4,659,956, respectively, were pledged to secure public deposits.

NOTE 4 – LOANS

In conjunction with the adoption of ASC 326, the Company made certain loan portfolio segment reclassifications to conform to the new ACL methodology. Loans and these related reclassifications, are summarized as follows at December 31, 2023 and December 31, 2022:

	December 31, 2023	Pre Adoption December 31, 2022	The effect of adoption	Post Adoption December 31, 2022
Real estate:				
Residential First Mortgage	$486,052,422	$466,100,627	$ 29,589,213	$495,689,840
Commercial and Multi-Family Real Estate	-	162,338,669	(162,338,669)	-
Commercial Real Estate	99,830,514	-	96,030,721	96,030,721
Multi-Family Real Estate	75,612,566	-	66,400,713	66,400,713
Construction	49,302,040	61,825,478	-	61,825,478
Commercial & Industrial	6,658,370	1,684,189	-	1,684,189
Consumer:				
Home equity and other	-	29,654,973	(29,654,973)	-
Consumer	18,672	-	98,770	98,770
Total loans	717,474,584	721,603,936	125,775	721,729,711
Allowance for credit losses	(2,785,949)	(2,578,174)	(282,775)	(2,860,949)
Net loans	$714,688,635	$719,025,762	$ ($157,000)	$718,868,762

The Bank has granted loans to executive officers and directors of the Bank. At December 31, 2023 and 2022, such loans totaled $1,610,688 and $1,739,725, respectively.

	2023	2022
Outstanding, January 1,	$ 1,739,725	$ 577,143
New loans	-	1,317,500
Loan repayments	(129,037)	(154,918)
Outstanding, December 31,	1,610,688	1,739,725

At December 31, 2023, deferred loan fees were $2,873,724 and $3,078,612 respectively.

NOTE 4 - LOANS (Continued)

The following table presents the activity in the allowance for credit losses by portfolio segments for the years ended December 31, 2023 and 2022:

	Residential First Mortgage	Commercial Real Estate	Multi-Family Real Estate	Construction	Commercial & Industrial	Consumer	Total
December 31, 2023							
Allowance for credit losses:							
Beginning balance	$ 1,602,534	$ 381,180	$ 234,300	$ 258,500	$ 3,960	$ 97,700	$2,578,174
Impact of ASC 326 adoption	113,969	141,797	25,469	1,500	40	—	282,775
Provision for loan losses (recovery)	135,466	(85,797)	57,531	(102,500)	18,000	(97,700)	(75,000)
Loans charged-off	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—
Total ending allowance balance	$ 1,851,969	$ 437,180	$ 317,300	$ 157,500	$ 22,000	$ —	$2,785,949

	Residential First Mortgage	Commercial & Multi-Family Real Estate	Construction	Commercial & Industrial	Home Equity & Other	Total
December 31, 2022						
Allowance for loan losses:						
Beginning balance	$ 1,092,474	$ 768,600	$ 195,000	$ 9,400	$ 87,700	$2,153,174
Provision for loan losses (credit)	510,060	(153,120)	63,500	(5,440)	10,000	425,000
Loans charged-off	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Total ending allowance balance	$ 1,602,534	$ 615,480	$ 258,500	$ 3,960	$ 97,700	$2,578,174

The provision fluctuations during the years ended December 31, 2023 and 2022 were due to increases or decreases in loan balances in different loans types and economic conditions.

NOTE 4 – **LOANS** (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segments and based on impairment method as of December 31, 2022:

	Residential First Mortgage	Commercial & Multi-Family Real Estate	Construction	Commercial & Industrial	Home Equity & Other	Total
December 31, 2022						
Allowance for loan losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ 33,000	$ —	$ —	$ —	$ —	$ 33,000
Collectively evaluated for impairment	1,569,534	615,480	258,500	3,960	97,700	2,545,174
Total ending allowance balance	$ 1,602,534	$ 615,480	$ 258,500	$ 3,960	$ 97,700	$ 2,578,174
Loans:						
Loans individually evaluated for impairment	$ 819,590		$ —	$ —	$ 37,069	$ 856,659
Loans collectively evaluated for impairment	462,439,940	160,990,186	61,825,478	1,684,189	29,586,787	716,526,580
Loans acquired with deteriorated credit quality	2,841,097	1,348,483	—	—	31,117	4,220,697
Total ending loans balance	$ 466,100,627	$ 162,338,669	$ 61,825,478	$ 1,684,189	$ 29,654,973	$ 721,603,936

Collateral - dependent loans individually evaluated with the ACL by collateral type were as follows at December 31, 2023:

Portfolio segment	Real estate	Other
Residential First Mortgage	$ 1,432,072	$ —
Commercial Real Estate	450,392	—
Multi-Family Real Estate	—	—
Construction	10,893,713	—
Commercial and Industrial	—	—
Other Consumer	—	—
	$ 12,776,177	$ —

Impaired loans as of and for the year ended December 31, 2022 were as follows:

	Loans With no related allowance recorded	Loans with an allowance recorded	Average Of individually Impaired loans	Amount of allowance for loan losses allocated
Residential first mortgages	$ 1,199,278	$ 171,616	$ 1,300,615	$ 33,000
Commercial and Multi-Family	488,222	—	488,196	—
Construction	—	—	—	—
Commercial & Industrial	—	—	—	—
Home equity & other consumer	37,069	—	26,298	—
	$ 1,724,569	$ 171,616	$ 1,815,109	$ 33,000

NOTE 4 - LOANS (Continued)

Interest income recognized during impairment and cash-basis interest income recognized in both 2023 and 2022 was nominal.

Nonaccrual loans and loans past due 90 days or more still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually evaluated loans.

No nonaccrual loans had specific reserves as of December 31, 2023 and the Bank had no other real estate owned at either December 31, 2023 or December 31, 2022.

	Nonaccrual loans beginning of period	Nonaccrual loans end of period	Nonaccrual with no Allowance for Credit Loss	Loans Past Due 90 Days or More Still Accruing	Interest recognized on nonaccrual loans
December 31, 2023					
Residential First Mortgage	$ 819,590	$ 1,432,072	$ 1,432,072	$ —	$ —
Commercial Real Estate		450,392	450,392		
Construction	—	10,893,713	10,893,713	—	—
Consumer	37,069	—	—	—	—
Total	$ 856,659	$ 12,776,177	$ 12,776,177	$ —	$ —

The following table presents the recorded investment in nonaccrual and loans past due 90 days or more and still on accrual by class of loans as of December 31, 2022:

	Nonaccrual	Loans Past Due 90 Days or More Still Accruing
December 31, 2022		
Residential first mortgage	$ 819,590	$ —
Commercial and multi-family	—	—
Construction	—	—
Commercial & Industrial	—	—
Home equity and other consumer	37,069	—
Total	$ 856,659	$ —

NOTE 4 - LOANS (Continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2023 and 2022, by class of loans:

	30 –59 Days Past Due	60 – 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2023						
Residential first mortgage	$ —	$ 297,118	$ 964,806	$ 1,261,924	$ 484,790,498	$ 486,052,422
Commercial real estate	—	—	450,392	450,392	99,380,122	99,830,514
Multi-Family real estate	—	—	—	—	75,612,566	75,612,566
Construction	—	—	10,893,713	10,893,713	38,408,327	49,302,040
Commercial & Industrial	—	—	—	—	6,658,370	6,658,370
Consumer	-	—	—	-	18,672	18,672
Total	$ —	$ 297,118	$ 12,308,911	$ 12,606,029	$ 704,868,555	$ 717,474,584

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	PCI loans	Total
December 31, 2022							
Residential first mortgage	$ —	$ 360,849	$ 279,515	$ 640,364	$ 462,619,166	$ 2,841,097	$ 466,100,627
Commercial and Multi-Family	—	—	—	—	160,990,186	1,348,483	162,338,669
Construction	—	—	—	—	61,825,478	—	61,825,478
Commercial & Industrial	—	—	—	—	1,684,189	—	1,684,189
Home equity and other consumer	92,977	—	19,122	112,099	29,511,757	31,117	29,654,973
Total	$ 92,977	$ 360,849	$ 298,637	$ 752,463	$ 716,630,776	$ 4,220,697	$ 721,603,936

Loans greater than 89 days past due are considered to be non-performing.

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. Commercial real estate, commercial and industrial and construction loans are graded on an annual basis. Residential real estate and consumer loans are primarily evaluated based on performance. Refer to the table on the prior page for the aging of the recorded investment of these loan segments. The Bank uses the following definitions for risk ratings:

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

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

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

Loans not meeting the criteria above are considered to be Pass rated loans.

NOTE 4 – **LOANS** (Continued)

Based on the most recent analysis performed, the risk category of loans by class is as follows:

	Term Loans by Origination Year							
Balance at December 31, 2023	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**Totals**
Residential First Mortgage								
Pass	$5,174,879	$111,903,094	$37,747,971	$28,952,299	$26,155,892	$114,830,194	$159,976,218	$484,740,547
Special Mention	—	—	—	191,276	169,343	389,565	107,538	857,722
Substandard	—	—	—	—	—	169,131	285,022	454,153
Doubtful	—	—	—	—	—	—	—	—
Total	5,174,879	111,903,094	37,747,971	29,143,575	26,325,235	115,388,890	160,368,778	486,052,422
Gross charge-offs by vintage	—	—	—	—	—	—	—	—
Commercial Real Estate								
Pass	—	3,065,843	—	6,893,352	5,501,995	11,722,774	72,196,158	99,380,122
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	450,392	450,392
Doubtful	—	—	—	—	—	—	—	—
Total	—	3,065,843	—	6,893,352	5,501,995	11,722,774	72,646,550	99,830,514
Gross charge-offs by vintage	—	—	—	—	—	—	—	—
Multi-Family Real Estate								
Pass	—	2,362,920	—	1,162,353	—	2,117,462	69,969,831	75,612,566
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	—	2,362,920	—	1,162,353	—	2,117,462	69,969,831	75,612,566
Gross charge-offs by vintage	—	—	—	—	—	—	—	—
Construction								
Pass	—	—	—	—	—	—	38,459,962	38,459,962
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	10,842,078	10,842,078
Doubtful	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	49,302,040	49,302,040
Gross charge-offs by vintage	—	—	—	—	—	—	—	—
Commercial and Industrial								
Pass	241,109	—	—	576,164	94,204	—	5,746,893	6,658,370
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	241,109	—	—	576,164	94,204	—	5,746,893	6,658,370
Gross charge-offs by vintage	—	—	—	—	—	—	—	—
Consumer								
Pass	—	—	—	—	—	—	18,672	18,672
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	18,672	18,672
Total loans	$5,415,988	$117,331,857	$37,747,971	$37,775,444	$31,921,434	$129,229,126	$358,052,764	$717,474,584

NOTE 4 – **LOANS** (Continued)

	Pass	Special Mention	Substandard	Totals
December 31, 2022				
Residential first mortgage	$465,089,495	$ 555,965	$ 455,167	$466,100,627
Commercial and Multi-Family	162,338,669	—	—	162,338,669
Construction	61,825,478	—	—	61,825,478
Commercial & Industrial	1,684,189	—	—	1,684,189
Home equity and other consumer	29,617,904	19,122	17,947	29,654,973
Total	$720,555,735	$ 575,087	$ 473,114	$721,603,936

NOTE 5 – **PREMISES AND EQUIPMENT**

Premises and equipment consists of the following at December 31:

	2023	2022
Land	$ 2,402,995	$ 2,402,995
Buildings and improvements	6,962,864	6,834,508
Furniture, fixtures and equipment	3,698,532	3,508,853
	13,064,391	12,746,356
Accumulated depreciation	(5,377,004)	(4,862,021)
	$ 7,687,387	$ 7,884,335

Depreciation expense was $514,983 and $485,118 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 – **INTANGIBLE ASSETS**

Core deposit intangible carrying amounts were $206,116 for the year ended December 31, 2023. Core deposit accumulated amortization and amortization expense totaled $132,728 and $61,156, respectively, for the year ended December 31, 2023.

Core deposit intangible assets are amortized to their estimated residual values over their expected useful lives, commonly ten years. The estimated aggregate future amortization expense for core deposit intangible assets as of December 31, 2023, was as follows:

2024	$ 53,223
2025	45,289
2026	37,355
2027	29,421
2028	21,489
Thereafter	19,339
	$ 206,116

NOTE 7 – DEPOSITS

The aggregate amount of certificates of deposit with a minimum denomination of $250,000 was approximately $132,100,000 and $119,100,000 at December 31, 2023 and 2022, respectively.

Officers and directors of the Bank have deposits at the Bank. At December 31, 2023 and 2022, such deposits totaled approximately $2,433,000 and $2,541,000, respectively.

The Bank had $53,300,000 and $58,600,000 of brokered deposits as of December 31, 2023 and 2022, respectively, which were primarily included in certificate of deposit accounts.

The scheduled maturities of certificates of deposits at December 31, 2023 are as follows:

2024	$ 430,847,483
2025	49,377,623
2026	5,524,308
2027	5,687,138
2028	1,838,215
	$ 493,274,767

NOTE 8 – ADVANCES FROM THE FEDERAL HOME LOAN BANK ("FHLB") OF NEW YORK

There were short-term advances as of December 31, 2023 totaling $37,500,000 with a weighted average interest rate of 5.52% that mature within one year. There were short-term advances as of December 31, 2022 totaling $59,000,000 with a weighted average interest rate of 4.59% that mature within one year.

Long-term advances at December 31 were as follows:

	Weighted Average Rate at December 31, 2023	**2023**	**2022**
Amortizing:			
Maturing in:			
2023	—	$ —	$ 3,101,059
2024	2.58%	5,496,642	3,124,634
2025	2.91%	4,847,744	2,354,973
2026	4.12%	3,297,983	678,275
2027	4.98%	2,753,137	-
2028	5.05%	2,271,012	-
	3.59%	$ 18,666,518	$ 9,258,941
Non-repo advances			
Maturing in:			
2023	—	$ —	$ 23,037,169
2024	3.92%	16,019,838	6,019,839
2025	4.31%	54,003,307	5,003,306
2026	4.57%	41,500,000	-
	4.35%	$ 111,523,145	$ 34,060,314

NOTE 8 – **ADVANCES FROM THE FEDERAL HOME LOAN BANK ("FHLB") OF NEW YORK** (Continued)

At December 31, 2023 and 2022, securities held to maturity and available for sale with a carrying amount of $1,589,747 and $5,269,320, respectively, were pledged to secure repurchase agreements. Change in the fair value of pledged collateral may require the Bank to pledge additional securities.

Non-repo and amortizing advances are secured by the FHLB stock owned by the Bank, and a blanket assignment of qualifying loans at December 31, 2023 and 2022 amounted to $289,808,115 and $329,278,068, respectively.

The Bank had available additional borrowing capacity of $140,398,000 and $235,221,958, with the FHLB as of December 31, 2023 and 2022, respectively. The Bank also had outstanding lines of credit of $54,000,000 and $51,000,000 with four correspondent banks as of December 31, 2023 and 2022. There were no outstanding balances against these lines as of December 31, 2023 or 2022.

Payments over the next five years are as follows*:*

2024	$ 59,016,480
2025	58,851,051
2026	44,797,983
2027	2,753,137
2028	2,271,012
	$ 167,689,663

NOTE 9 – **INCOME TAXES**

Income tax (benefit) expense was as follows:

	2023	2022
Current expense		
Federal	$ 379,021	$ 1,407,387
State	83,212	847,337
	462,233	2,254,724
Deferred (benefit) expense		
Federal	(411,463)	240,502
State	(212,927)	119,319
	(624,390)	359,821
Total income (benefit) expense	$ (162,157)	$ 2,614,545

Total income tax (benefit) expense differed from the amounts computed by applying the federal income tax rate of 21% to income before income taxes as a result of the following for the years ended December 31:

	2023	2022
Expected income tax expense at federal tax rate	$ 100,879	$ 1,993,195
Increase (decrease) in taxes resulting from:		
State income tax, net of federal income tax effect	(102,475)	763,658
Bank Owned Life Insurance	(164,120)	(145,929)
Tax exempt interest, net	(16,441)	(33,849)
Other, net	20,000	37,470
	$ (162,157)	$ 2,614,545

NOTE 9 – **INCOME TAXES** (Continued)

Year-end deferred tax assets and liabilities were due to the following:

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 811,803	$ 724,725
Deferred compensation	928,427	945,753
Fraud claim	121,713	-
Nonaccrual interest	351,211	-
ESOP plans	90,188	51,766
Stock equity plans	263,451	125,195
Accrued severance plan	271,587	-
Federal NOL carryforward	345,571	378,777
Depreciation	72,227	66,854
Charitable foundation contribution	312,949	425,092
Net unrealized loss on securities available for sale	2,596,141	2,541,461
Other	-	48,186
	6,165,268	5,307,809
Deferred tax liabilities:		
Loan fees/costs	1,120,945	1,108,540
Directors’ and officers’ retirement plans	996	21,772
Purchase accounting	294,064	242,887
Cash flow hedges	67,326	91,094
Other	27,947	-
	1,511,278	1,464,293
Net deferred tax asset	$ 4,653,990	$ 3,843,516

Included in retained earnings at December 31, 2023 and 2022 was approximately $4,609,000 in bad debt reserves for which no deferred income tax liabilities have been recorded. The amount represents allocations of income to bad debt deductions for tax purposes only. Reduction of these reserves for purposes other than tax bad-debt losses would create income for tax purposes only, which would be subject to the then current corporate income tax rate. There were no unrecognized tax benefits at December 31, 2023 or 2022. The Bank does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months. There was no material interest or penalties recorded in the income statement or accrued during the years ended December 31, 2023 or 2022. The Bank is subject to U.S. federal income tax as well as income tax of the State of New Jersey. The Bank is no longer subject to federal and state examination by taxing authorities for years before 2020 and 2019, respectively.

NOTE 10 – **STOCK BASED COMPENSATION**

The Company maintains the Bogota Financial Corp. 2021 Equity Incentive Plan (the "2021 Plan"), which provides for the issuance of up to 902,602 shares (257,887 restricted stock awards and 644,718 stock options) of Bogota Financial Corp. common stock.

On September 2, 2021, 226,519 shares of restricted stock were awarded, with a grant date fair value of $10.45 per share. To fund the grant of restricted common stock, the Company issued shares from authorized but unissued shares. Restricted shares granted under the 2021 Plan vest in equal installments, over the service period of five years, beginning one year from the date of grant. Management recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period. During the twelve months ended December 31, 2023 and December 31, 2022, $473,000 and $473,000 of expense was recognized in regard to these awards, respectively. The expected future compensation expense related to the 181,215 non-vested restricted shares outstanding at December 31, 2023 was approximately $1.9 million over a weighted average period of 3.85 years.

NOTE 10 – **STOCK BASED COMPENSATION** (Continued)

The following is a summary of the Company's restricted stock activity during the twelve months ended December 31, 2023:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2023	181,215	$ 10.45
Granted	-	-
Vested	45,304	10.45
Forfeited	-	-
Outstanding, December 31, 2023	135,911	$ 10.45

On September 2, 2022, options to purchase 526,119 shares of Company common stock were awarded, with a grant date fair value of $4.37 per option. Stock options granted under the 2021 Plan vest in equal installments over the service period of five years beginning one year from the date of grant. Stock options were granted at an exercise price of $10.45, which represents the fair value of the Company's common stock price on the grant date based on the closing market price, and have an expiration period of 10 years.

Management recognizes expense for the fair value of these awards on a straight-line basis over the requisite service period. During the twelve months ended December 31, 2023 and December 31, 2022 approximately $459,000 and $459,000 in expense was recognized in regard to these awards, respectively. The expected future compensation expense related to the 526,119 non-vested options outstanding at December 31, 2023 was $1.8 million over the weighted average remaining vesting period of 3.85 years.

The following is a summary of the Company's option activity during the twelve months ended December 31, 2023:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, January 1, 2023	523,619	$ 10.45	6.5	$ —
Granted	-			
Forfeited	-			
Outstanding, December 31, 2023	523,619	10.45	6.5	-
Options exercisable at December 31, 2023	209,448			$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value, the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options.

NOTE 11 – **DERIVATIVES AND HEDGING ACTIVITES**

Interest Rate Swaps. At December 31, 2023, the Company had two interest rate swaps with a notional amount of $20.0 million hedging certain FHLB advances and brokered deposits. These interest rate swaps meet the cash flow hedge accounting requirements. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. As of December 31, 2022, the Company had one interest rate swap with a notional amount of $10.0 million hedging certain FHLB advances. At both December 31, 2023 and December 31, 2022, the Company had no interest rate swaps in place with commercial banking customers.

NOTE 11 – DERIVATIVES AND HEDGING ACTIVITES (Continued)

The table below presents the fair value of the Company's derivative financial instruments as well as their classification in the Consolidated Statements of Financial Condition at December 31, 2023:

	December 31, 2023 **Asset Derivative** **Consolidated Statements of Financial Condition**	**Fair Value**
Interest rate swaps	Other Assets	$ 239,510
Total derivative instruments		$ 239,510

For the twelve months ended December 31, 2023, changes in fair value of $84,554 were recorded in other comprehensive income, net of tax, for changes in fair value of interest rate swaps with third parties. At December 31, 2023, accrued interest was $72,000.

The Company has agreements with counterparties that contain a provision that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default of its derivative obligations.

NOTE 12 – BENEFIT PLANS

401(k) Plan: The Bank has a 401(k) retirement plan covering substantially all employees. The Bank matches 100% of contributions up to the first 6% of salary that the employee defers to the retirement plan. The Bank also contributes a safe harbor contribution of 3% of the employee's salary. In addition, on an annual basis, the Board of Directors may elect to make discretionary employer contributions. Bank contributions to the plan for the years ended December 31, 2023 and 2022 were $414,000 and $384,000, respectively.

Directors' Retirement Plan: The Bank has an unfunded, non-qualified pension plan (the "Plan") to provide post-retirement benefits to each non-employee director of the Bank. The Monthly Retirement Benefit is 100% of a director's average annual retainer paid over a three-year period (not necessarily consecutive) during which the highest annual retainer was received and payable for the same number of months the director served on the Board, up to a period of 120 months.

The measurement dates used in the Plan valuations were December 31 for plan years 2023 and 2022, respectively. The following table sets forth the Plan's funded status at December 31, 2023 and 2022:

	2023	**2022**
Projected benefit obligation - beginning	$ 2,318,336	$ 2,430,095
Service cost	52,005	136,145
Interest cost	109,410	69,830
Actuarial gain	(12,950)	(154,613)
Annuity payments	(191,992)	(163,121)
Projected benefit obligation – ending	2,274,809	2,318,336
Changes in Plan assets		
Employer contributions	191,992	163,121
Annuity payments	(191,992)	(163,121)
Funded status and accrued pension cost included in other liabilities	$ 2,274,809	$ 2,318,336

NOTE 12 – BENEFIT PLANS (Continued)

Amounts recognized in accumulated other comprehensive income at December 31 consist of:

	2023	2022
Net actuarial gain (loss)	$ 2,236	$ (65,412)
Prior service cost	1,682	82,538
	$ 3,918	$ 17,126

Components of net periodic benefit cost and other amounts recognized in other comprehensive income:

	2023	2022
Service cost	$ 52,005	$ 136,145
Interest cost	109,410	69,830
Amortization of prior service cost	259	130,821
Net periodic benefit cost	161,674	336,796
Net loss (gain)	2,236	(154,613)
Amortization of prior service cost	(259)	(130,821)
Total recognized in other comprehensive income (loss)	1,977	(285,434)
Total recognized in net periodic benefit cost and other comprehensive loss	$ 163,651	$ 51,362

Assumptions

Weighted-average assumptions used to determine pension benefit obligations at year end:

	2023	2022
Discount rate	4.80%	5.00%

Weighted-average assumptions used to determine net periodic pension cost:

	2023	2022
Discount rate	4.80%	2.90%
Amortization period (years)	9.49	5.8

The Monthly Retirement Benefit was changed from 100% of a director's average annual retainer paid over a three-year period (not necessarily consecutive) during which the highest annual retainer was received and payable for the same number of months the director served on the Board, up to a period of 120 months to be 15% of the final three-year average annual compensation paid in twelve equal installments, up to a period of 120 months. The change in the Monthly Retirement Benefit had no material change on the financial statements.

For the year ended December 31, 2024, the Bank expects to contribute $200,222 to the Plan.

NOTE 12 – **BENEFIT PLANS** (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of year ending December 31:

2024	$	200,222
2025		290,760
2026		259,119
2027		236,518
2028		236,518
2029-2030		473,036

Employee Stock Ownership Plan (“ESOP”): Effective upon the consummation of the Bank's reorganization in January 2020, an ESOP was established for all eligible employees. The ESOP used $6.0 million in proceeds from a twenty-year term loan obtained from the Company to purchase 515,775 shares of Company common stock. The term loan principal is payable in installments through January 2039. Interest on the term loan is floating rate that was 8.50% as of December 31, 2023.

Each year, the Bank makes discretionary contributions to the ESOP, which are equal to principal and interest payments required on the term loan. Shares purchased with the loan proceeds were initially pledged as collateral for the term loan and are held in a suspense account for future allocation among participants. Contributions to the ESOP and shares released from the suspense account are allocated among the participants on the basis of compensation, as described by the ESOP, in the year of allocation.

The ESOP shares pledged as collateral are reported as unearned ESOP shares in the Consolidated Statements of Financial Condition. As shares are committed to be released from collateral, the Bank reports compensation expense equal to the average market price of the shares during the year, and the shares become outstanding for basic net income per common share computations. ESOP compensation expense for the year ended December 31, 2023 and 2022 was $224,870 and $280,790, respectively.

The ESOP shares were as follows:

	2023	2022
Allocated shares	106,024	79,280
Unearned shares	409,751	436,495
Total ESOP shares	515,775	515,775
Fair value of unearned ESOP shares	$ 3,321,570	$ 4,880,014

Supplemental Executive Retirement Plan (“SERP”): In 2014, the Bank adopted an unfunded, non-qualified Supplemental Executive Retirement Plan (“SERP”) for the benefit of its senior officers. On May 20, 2016, the SERP was amended and restated as of January 1, 2016. The SERP provides the Bank with the opportunity to supplement the retirement income of the President and CEO to achieve equitable wage replacement at retirement.

As of December 31, 2023, the accrued SERP obligation was $1,040,487. The expense was a benefit of $15,325 during 2023. At December 31, 2023, the amount recognized in accumulated other comprehensive loss was $87,120. As of December 31, 2022, the accrued SERP obligation was $968,692. The expense was $278,714 during 2022. At December 31, 2022, the amount recognized in accumulated other comprehensive loss was $79,972.

NOTE 13 – REGULATORY CAPITAL MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. A capital conservation buffer of 2.5%, which was fully phased on January 1, 2019 resulted in the Bank effectively having the following minimum capital to risk-weighted assets ratios: a) 7.0% based on CET1; b) 8.5% based on tier 1 capital; and c) 10.5% based on total regulatory capital. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2021 and 2020, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

In accordance with the Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies adopted, effective January 1, 2020, a final rule whereby financial institutions and financial institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio of greater than 9% (“qualifying community banking organizations”), are eligible to opt into a community bank leverage ratio (“CBLR”) framework. Qualifying community banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% are considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies’ capital rules and will be considered to have met the well capitalized ratio requirements under the PCA statutes.

The agencies reserved the authority to disallow the use of the CBLR framework by a financial institution or holding company, based on the risk profile of the organization.

The Bank elected to adopt the CBLR framework. As a qualifying community banking organization, the Company and the Bank may opt out of the CBLR framework in any subsequent quarter by completing its regulatory agency reporting using the traditional capital rules.

The Bank excludes accumulated OCI components from Tier 1 and Total regulatory capital.

The Bank’s actual and required capital amounts and ratios under the CBLR rules at December 31, 2023 and 2022 are presented in the tables below.

	Actual Capital		Required For Capital Adequacy Purposes	
	Amount	**Ratio**	**Amount**	**Ratio**
2023				
Tier 1 capital to average assets:				
Bank	130,625	13.96	74,864	8.0
2022				
Tier 1 capital to average assets:				
Bank	129,264	13.44	71,193	8.0

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Bank 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 and to reduce its own exposure to fluctuations in interest rates. These financial instruments primarily include commitments to extend credit. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contractual amounts of these instruments reflect the extent of involvement the Bank has in those particular classes of financial instruments.

The Bank's exposure to credit loss in the event of non-performance by the other party to the financial instruments for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The Bank had outstanding firm commitments, all of which expire within two months, to originate, or purchase participation interests in, loans at December 31, 2023 and 2022 was as follows:

	2023	**2022**
Fixed Rate		
Residential mortgage loans	$ —	$ 650,000
Commercial & Industrial	—	500,000
Home equity line of credit	—	85,000
	$ —	$ 1,235,000
Variable Rate		
Residential mortgage loans	$ 2,664,450	$ 1,822,807
Construction loans	16,780,124	32,935,531
Home equity loans	1,173,000	510,000
Commercial real estate	730,000	—
	$ 21,347,574	$ 35,268,338

Commitments to make loans are generally made for periods of 90 days or less.

At December 31, 2023 and 2022, undisbursed funds from approved lines of credit under a homeowners' equity lending program amounted to approximately $50,175,046 and $48,776,452, respectively. At December 31, 2023 and 2022, undisbursed funds from approved lines of credit under a business line of credit program amounted to $2,579,759 and $8,183,350, respectively. Unless they are specifically cancelled by notice from the Bank, these funds represent firm commitments available to the respective borrowers on demand.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. 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 Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but primarily includes commercial and residential real estate. The Bank leases certain Bank properties and equipment under operating leases. Rent expense was $181,308 and $169,540 for 2023 and 2022, respectively.

NOTE 15 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a bank's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

The fair value for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

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

	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Securities available for sale:				
U.S. government and agency obligations	$ 5,545,401	$ —	$ 5,545,401	$ —
Corporate bonds	11,818,756	—	11,818,756	—
MBS – residential	35,407,182	—	35,407,182	—
MBS – commercial	16,116,840	—	16,116,840	—
Cash flow hedge	239,510		239,510	
	$ 69,127,689	$ —	$ 69,127,689	$ —
December 31, 2022				
Securities available for sale:				
U.S. treasury bills	$ 4,927,608	$ 4,927,608	$ —	$ —
U.S. government and agency obligations	5,465,154	—	5,465,154	—
Corporate bonds	15,506,047	—	15,506,047	—
MBS – residential	39,649,045	—	39,649,045	—
MBS – commercial	19,552,724	—	19,552,724	—
Cash flow hedge	324,062		324,062	
	$ 85,424,640	$ 4,927,608	$ 80,497,032	$ —

No assets were measured at fair value on a non-recurring basis at December 31, 2023 and 2022.

NOTE 15 – **FAIR VALUE** (Continued)

The carrying amounts and estimated fair values of financial instruments, at December 31, 2023 and 2022 are as follows:

	Carrying Amount	Fair Value	Fair Value Measurement Placement (Level 1)	(Level 2)	(Level 3)
			(In thousands)		
December 31, 2023					
Financial instruments -assets					
Investment securities held-to-maturity	$ 72,656	$ 65,375	$ —	$ 65,375	$ —
Loans	714,687	672,347	—	—	672,347
Financial instruments - liabilities					
Certificates of deposit	493,275	491,944	—	491,944	—
Borrowings	167,690	167,891	—	167,891	—
December 31, 2022					
Financial instruments - assets					
Investment securities held-to-maturity	$ 77,427	$ 70,700	$ —	$ 70,700	$ —
Loans	719,026	658,250	—	—	658,250
Financial instruments - liabilities					
Certificates of deposit	492,593	491,638	—	491,638	—
Borrowings	102,319	98,885	—	98,885	—

Carrying amount is the estimated fair value for cash and cash equivalents. The fair value of loans is determined using an exit price methodology. Certificates of deposits fair value is estimated by using a discounted cash flow approach. Fair value of FHLB advances is based on current rates for similar financing. Other balance sheet instruments such as cash and cash equivalents, accrued interest receivable, accrued interest payable and Bank owned life insurance holding costs approximate fair value. The fair value of off-balance sheet items is not considered material.

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss included in equity as of December 31 is as follows:

	Year ended December 31, 2023			
	Unrealized gain (loss) in investments	**Derivatives**	**Defined benefit plan**	**Total**
Beginning balance	$ (6,499,666)	$ 232,969	$ 55,684	$ (6,211,013)
Other comprehensive loss before reclassification	(139,840)	(60,786)	(53,135)	(253,761)
Amounts reclassified from other comprehensive loss	-	-	-	-
Net current period other comprehensive loss	(139,840)	(60,786)	(53,135)	(253,761)
Ending balance	$ (6,639,506)	$ 172,183	$ 2,549	$ (6,464,774)

	Year ended December 31, 2022			
	Unrealized gain (loss) in investments	Derivatives	Defined benefit plan	Total
Beginning balance	$ 17,158	$ —	$ (289,814)	$ (272,656)
Other comprehensive (loss) income before reclassification	(6,516,824)	232,969	179,142	(6,104,713)
Amounts reclassified from other comprehensive (loss) income	-	-	166,356	166,356
Net current period other comprehensive (loss) income	(6,516,824)	232,969	345,498	(5,938,357)
Ending balance	$ (6,499,666)	$ 232,969	$ 55,684	$ (6,211,013)

Details about accumulated other comprehensive loss components	**Year ended December 31, 2023**	**Year ended December 31, 2022**	
Realized gains on sales of securities			
	$ —	$ —	
	—	—	
	$ —	$ —	
Amortization of estimated defined benefit pension plan losses			
	$ 94,315	$ 231,403	other expense
	(26,512)	(65,047)	provision for income taxes
	$ 67,803	$ 166,356	
Total reclassifications for the period	$ 67,803	$ 166,356	

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, Bogota Financial Corp. evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management, including our Principal Executive Officer and Principal Financial Officer, concluded that our internal control over financial reporting was effective and met the criteria of the "Internal Control — Integrated Framework (2013)" as of December 31, 2023.

(c) Attestation Report of the Registered Public Accounting Firm

Not applicable because the Company is an emerging growth company.

(d) Changes in Internal Controls.

There were no changes made in our internal controls during the quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, Bogota Financial Corp.'s internal control over financial reporting.

ITEM 9B. Other Information

During the three months ended December 31, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations.

Employment Agreement with Kevin Pace. On March 27, 2024, Bogota Savings Bank (the "Bank"), the wholly owned subsidiary of the Company, entered into an employment agreement with Kevin Pace, President and Chief Executive Officer of the Bank and the Company. The agreement has an initial term through December 31, 2025. Beginning on January 1, 2025, and each January 1 thereafter, the term of the agreement extends automatically for one additional year so that the term will be two years from the date of such renewal unless either the Bank or Mr. Pace gives written notice no later than 30 days before the renewal date that the term will not be renewed. At least 30 days prior to each renewal date, disinterested members of the board of directors of the Bank will conduct a comprehensive performance evaluation of Mr. Pace's performance to determine whether to renew the employment agreement.

Pursuant to the employment agreement, Mr. Pace will receive an annual base salary of $380,000, which may be increased, but not decreased, other than a percentage decrease (not greater than 10%) applicable to all members of senior management. In addition to his base salary, the employment agreement provides that Mr. Pace may receive a bonus on a discretionary basis, as determined by the Compensation Committee, and/or will be eligible to participate in any bonus plan or arrangement of the Bank in which senior management is eligible to participate. Mr. Pace is also entitled to participate in all employee benefit plans, arrangements and perquisites offered to the senior management of the Bank as well as reimbursement of reasonable travel and other business expenses incurred in the performance of his duties with the Bank, including memberships in organizations as Mr. Pace and the board of directors of the Bank mutually agree are necessary and appropriate. In addition, the Bank shall provide Mr. Pace with a company-owned or leased automobile (or a reasonable car allowance) and shall pay or reimburse Mr. Pace for the reasonable maintenance, insurance, gas, tolls and other charges related to the business of the automobile in accordance with the Bank's automobile policy.

The Bank may terminate Mr. Pace's employment with or without "cause" (as defined in the employment agreement) at any time, and Mr. Pace may resign at any time with or without "good reason" (as defined in the employment agreement). In the event of Mr. Pace's termination by the Bank without cause (other than due to death or disability) or Mr. Pace's voluntary resignation for "good reason" (in either case a "qualifying termination event"), the Bank would pay Mr. Pace a cash severance payment equal to 24 months of his base salary, payable in equal bi-weekly installments for 24 months, commencing within 60 days following his date of termination. In addition, provided that Mr. Pace timely elects continue coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), Mr. Pace would receive 18 consecutive monthly cash payments equal to his monthly COBRA premium in effect as of the date of termination for the level of coverage in effect for Mr. Pace under the Bank's group health plan. The payments and benefits described above are subject to Mr. Pace executing, and not revoking, a release of claims against the Bank.

If a qualifying termination event occurs on or after a change in control of the Bank or the Company, Mr. Pace would be entitled to (in lieu of the payments and benefits described in the previous paragraph) a severance payment equal to two times the sum of his (1) annual base salary in effect as of the date of his termination or immediately prior to the change in control, whichever is higher; and (2) the average annual cash bonus earned for the two most recently completed performance periods prior to the change in control. Such payment is payable in bi-weekly installments for a period of two years, commencing within 30 days following Mr. Pace's date of termination. In addition, Mr. Pace would receive 18 consecutive monthly cash payments equal to his monthly COBRA premium in effect as of the date of termination for the level of coverage in effect for Mr. Pace under the Bank's (or successor's) group health plan immediately before his termination.

If Mr. Pace's employment is terminated due to his voluntary resignation without good reason, termination for cause, death or disability, the employment agreement will immediately terminate, and the Bank would have no obligation to pay any additional severance benefits to Mr. Pace under the employment agreement.

Upon termination of employment (other than a termination in connection with a change in control), Mr. Pace will be required to adhere to one-year non-competition and non-solicitation restrictions set forth in his employment agreement.

The non-competition and non-solicitation covenants apply following a change in control for a period mutually to be agreed to by the parties, which will be no less than six months nor exceed two years. In the event payments and benefits provided to Mr. Pace become subject to Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Bank shall obtain an independent appraisal of the value of the non-competition and non-solicitation covenants, and the aggregate value of the parachute payment (as defined in Code Section 280G) will be reduced by the appraised value of the covenants.

The foregoing description of the employment agreement does not purport to be complete and is qualified in its entirety by reference to the agreement attached hereto as Exhibits 10.2 of this Annual Report on Form 10-K and is incorporated by reference into this Item 9B.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information regarding directors, executive officers and corporate governance of the Company is presented under the headings "Proposal 1 — Election of Directors," "Corporate Governance — Code of Ethics for Senior Officers" and "— Committees of the Board of Directors — Audit Committee" in the Company's definitive Proxy Statement for the 2024 Annual Meeting of Stockholders (the "Proxy Statement") and is incorporated herein by reference. Additionally, no directors or officers of Bogota Financial Corp failed to file on a timely basis any reports required by Section 16(a) of the Exchange Act during 2023.

Bogota Financial Corp. has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer and principal accounting officer or controller or persons performing similar functions. A copy of the Code of Ethics is available on Bogota Financial Corp.'s website at *www.bogotasavingsbank.com* under "Investor Relations."

ITEM 11. Executive Compensation

Information regarding executive compensation is presented under the headings "Executive Compensation," and "Corporate Governance — Director Compensation" in the Proxy Statement and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Securities Authorized for Issuance under Stock-Based Compensation Plans

The following table sets forth information regarding outstanding options and shares under equity compensation plans at December 31, 2023:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plan approved by security holders	752,638	$ 10.45	149,968
Equity compensation plan not approved by security holders	-		-
Total	752,638	$ 10.45	149,968

(b) Security Ownership of Certain Beneficial Owners

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

(c) Security Ownership of Management

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

(d) Changes in Control

Management of Bogota Financial Corp. knows of no arrangements, including any pledge by any person of securities of Bogota Financial Corp., the operation of which may at a subsequent date result in a change in control of the registrant.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions, and director independence is presented under the heading "Corporate Governance — Director Independence" and "— Other Information Relating to Directors and Executive Officers Transactions with Certain Related Persons" in the Proxy Statement and is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to the section captioned "Proposal 2 – Ratification of the Appointment of Independent Registered Public Accountants" of the Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

3.1	Articles of Incorporation of Bogota Financial Corp. (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 of Bogota Financial Corp. (File No. 333-233680), initially filed with the Securities and Exchange Commission on September 9, 2019, as amended)
3.2	Amended and Restated Bylaws of Bogota Financial Corp. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Bogota Financial Corp. (File No. 001-39180), initially filed with the Securities and Exchange Commission on January 25, 2024)
4.1	Form of Common Stock Certificate of Bogota Financial Corp. (incorporated by reference to Exhibit 4 to the Registration Statement on Form S-1 of Bogota Financial Corp. (File No. 333-233680), initially filed with the Securities and Exchange Commission on September 9, 2019, as amended)
4.6	Description of Bogota Financial Corp.'s Securities (incorporated by reference to Exhibit 4.6 to the Annual Report on Form 10-K of Bogota Financial Corp. (File No. 001-39180), filed with the Securities and Exchange Commission on March 30, 2020)
10.1	Resignation and Separation Agreement and Release of Claims between Bogota Savings Bank and Joseph Coccaro (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Bogota Financial Corp. (File No. 001-39180), filed with the Securities and Exchange Commission on November 30, 2023) †
10.2	Employment Agreement between Bogota Savings Bank and Kevin Pace †
10.3	Change in Control Agreement between Bogota Savings Bank and Brian McCourt (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Bogota Financial Corp. (File No. 001-39180), filed with the Securities and Exchange Commission on January 15, 2020) †
10.4	Bogota Savings Bank Director's Retirement Plan (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1 of Bogota Financial Corp. (File No. 333-233680), initially filed with the Securities and Exchange Commission on September 9, 2019, as amended) †
10.5	Bogota Savings Bank Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 of Bogota Financial Corp. (File No. 333-233680), initially filed with the Securities and Exchange Commission on September 9, 2019, as amended) †
10.6	Form of Bogota Savings Bank Executive Bonus Plan (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1 of Bogota Financial Corp. (File No. 333-233680), initially filed with the Securities and Exchange Commission on September 9, 2019, as amended) †
10.7	Bogota Financial Corp. 2021 Equity Incentive Plan (incorporated by reference to Appendix A to the definitive proxy statement (File No. 001-39180, filed on April 22, 2021) †
10.8	Form of Incentive Stock Option Award Agreement (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-8 (File No. 333-258064), filed on July 21, 2021) †
10.9	Form of Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-8 (File No. 333-258064), filed on July 21, 2021) †
10.10	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-8 (File No. 333-258064), filed on July 21, 2021) †
21	Subsidiaries of Registrant
23.1	Consent of Independent Public Accounting Firm – S.R. Snodgrass, P.C.
31.1	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2	Certification of Senior Vice President and Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	Clawback Policy
101	The following materials from the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023, formatted in Inline XBRL: (i) Balance Sheets, (ii) Statements of Income, (iii) Statements of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Statements of Cash Flows and (vi) Notes to the Financial Statements.
104	Cover Page Interactive Data File (formatted in XBRL and contained in Exhibit 101)

† Management contract or compensation plan or arrangement.

ITEM 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BOGOTA FINANCIAL CORP.

Date: March 28, 2024

By: /s/ Kevin Pace
Kevin Pace
President and Chief Executive Officer
(Duly Authorized Representative)

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

Signatures	Title	Date
/s/ Kevin Pace Kevin Pace	President, Chief Executive Officer and Director (Principal Executive Officer)	March 28, 2024
/s/ Brian McCourt Brian McCourt	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 28, 2024
/s/ Steven M. Goldberg Steven M. Goldberg	Chairman of the Board	March 28, 2024
/s/ William Hanson William Hanson	Director	March 28, 2024
/s/ John Masterson John Masterson	Director	March 28, 2024
/s/ John G. Reiner John G. Reiner	Director	March 28, 2024

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