

# FIRST CENTRAL SAVINGS BANK

70 Glen Street

Glen Cove, New York 11542

Joseph Pistilli

Chairman of the Board

First Central Savings Bank

70 Glen Street

Glen Cove, NY 11542

Direct 718-204-1600 Ext. 15

[joseph@pistilli.com](mailto:joseph@pistilli.com)

## Dear Customers and Shareholders,

As we welcome 2024, First Central Savings Bank has much to be excited about and our future looks bright. First, let me begin by thanking each and every one of you, our customers, our employees, our Board of Directors and especially our shareholders. For if it were not for each of you, our successes in 2023 would not have been achieved.

Looking from where we are today and how we have navigated through some very difficult challenges in our business and personal lives has made me look back to our original mission statement and why we founded First Central Savings Bank in the first place. Our success today begins with FCSB's original philosophy in 1999 to create a true community bank, with a savings bank culture, and then adding the tools and resources to also provide business products of a small commercial bank in the communities we serve. That was true then and is still true today!

Everyone needed to change their way of doing business and adapt to the changes that all of us were faced with. The same challenges that every business undertakes to make their business successful. We at First Central Savings Bank had to do the same things in order to be successful, and that is exactly what we did.

During the past year, as news broke of three major financial institutions being placed under regulatory receivership on both the east and west coast of the USA, many large and small banks panicked and made very rash decisions by curtailing residential and commercial lending, letting depositors leave the bank and cutting staff. We at First Central Savings Bank, being in a strong financial position and well prepared, took a very different course of action. We decided to maintain and invest in our customers, retain and hire new staff, continue lending and increase savings rates that preserved existing depositors and also added new customers to our Bank.

With that said, we were right! Our achievements were accomplished by the dedication of our employees, our executives and our Board of Directors who believed that a strong and successful financial institution can only survive and thrive when there is a strong mind set with sound practices. The Safety and Soundness of the Bank, the preservation of capital and excellent asset quality, just to mention a few, are our foundation for successful banking.

**As 2024 begins, it is with great pleasure for me to announce that the Board of Directors has approved the issuance of a special cash dividend of \$0.10 cents per share (check enclosed).**

Regardless of what comes before us, our employees and I are committed, and we look forward to continuing to serve each of you and your communities. With your help and confidence, First Central Savings Bank will continue to thrive and be prosperous in the years to come. Please do not hesitate to reach out to me or anyone of our Customer Service Representatives at any one of our many branches and let us know if and how we may be able to help you.

I wish and hope that the New Year brings you and your families all the blessings possible.

Very Truly Yours,

*Joseph Pistilli*

Joseph Pistilli  
Chairman of the Board  
First Central Savings Bank

**FOR IMMEDIATE RELEASE**

Investor and Press Contact:

Joseph Pistilli Chairman of the Board

Ray Ciccone, E.V.P. &amp; Chief Financial Officer

Paul Hagan, President &amp; Chief Operating Officer

516-399-6071

First Central Savings Bank Reports Fourth Quarter 2023 Net Income of \$1.3 million (\$0.12 EPS), Full Year 2023 Net Income of \$7.1 million (\$0.67), Strong Asset Quality, and Special Cash Dividend of \$0.10 per share.

**Performance Highlights**

- **Net Income and Cash Earnings:** Net income for the quarter ended December 31, 2023, was \$1.3 million or \$0.12 per share, compared to \$2.1 million or \$0.20 per share recorded in the prior year quarter ended December 31, 2022. Cash earnings for the quarter ended December 31, 2023, were \$1.5 million, or \$0.14 per share, a decrease of \$898 thousand, or 36.9%, from \$2.4 million, or \$0.23 per share, for the prior year quarter. Net income of \$7.1 million for the twelve months ended December 31, 2023, or \$0.67 per share, compared to \$9.2 million or \$0.87 per share recorded in the prior year twelve months ended December 31, 2022, representing a 22.7% decrease in net income year-over-year.
- **Financial Performance Metrics:** Return on average assets and average stockholders' equity were 0.52% and 6.07%, respectively, for the quarter ended December 31, 2023, compared to 0.97% and 11.21%, respectively, for the prior year quarter and 0.89% and 10.40% compared to the prior quarter.
- **Balance Sheet Growth:** Assets totaled \$963.5 million at December 31, 2023, up \$59.6 million, or 6.6%, from December 31, 2022, primarily due to loan growth.
- **Regulatory Capital:** The Bank's Tier 1 capital ratio was 9.23% and the Total Risk based capital ratio was 14.44% at December 31, 2023, each above the regulatory minimum for a well-capitalized institution.
- **Loan Growth:** At December 31, 2023, total loans outstanding were \$835.4 million representing 86.7% of total assets, up \$88.3 million, or 11.8%, from December 31, 2022.
- **Net Interest Income:** The Bank recorded net interest income of \$6.8 million for the quarter ended December 31, 2023, a decrease of \$1.4 million, or 17.4%, from the quarter ended December 31, 2022.
- **Strong Asset Quality:** At December 31, 2023, the Bank's asset quality was strong with 0.53% non-performing loans to total loans.
- **Net Interest Margin and Spread:** The Bank's net interest margin and spread for the current quarter was 2.90% and 2.14%, respectively.
- **Special Cash Dividend:** The Bank declared a special cash dividend of \$0.10 per share to the Bank's shareholders.

Glen Cove, N.Y. – January 31, 2024 – Joseph Pistilli, Chairman of the Board, of First Central Savings Bank ("FCSB", "the Bank") today reported significant performance achievements for the quarter and year ended December 31, 2023.

**Cash and GAAP Basis Earnings**

The Bank's cash earnings were \$1.5 million, or \$0.14 per share, for the quarter ended December 31, 2023, which represents a decrease of \$898 thousand, or 36.9% from the quarter ended December 31, 2022. On a GAAP basis, net income for the quarter ended December 31, 2023, was \$1.3 million, or \$0.12 per share, compared with net income of \$2.1 million, or \$0.20 per share, for the quarter ended December 31, 2022. Joseph Pistilli, Chairman of the Board noted, "In the fourth quarter of 2023, First Central continued to build shareholder value by generating positive earnings despite a rising interest rate environment. We continue to



866-400-3272  
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enhance shareholder value with an increase in our book value from \$7.27 per share at December 31, 2022, to \$7.88 at December 31, 2023, an increase of \$0.61 or 8.4%.

It is with great pleasure, on behalf of the Board of Directors, for me to announce the issuance of a special cash dividend of \$0.10 per share. The dividend is payable January 19, 2024, to stockholders of record as of December 20, 2023. As we welcome 2024, First Central Savings Bank has much to be excited about and our future looks bright. Our achievements were accomplished by the dedication of our employees, our executives and our Board of Directors who believed that a strong and successful financial institution can only survive and thrive when there is a strong corporate mind set supported by consistent and sound banking strategies. I am extremely proud of the management team and Board of Directors that we have assembled and the expertise they bring in growing the franchise value for our shareholders.”

Paul Hagan, President and Chief Operating Officer, reflected on the Bank’s results, “Management continues to execute its growth strategy that enhances equity to support loan growth. During the quarter ended December 31, 2023, we continued to see an increase in interest rates that put pressure on our net interest margin and spread. Despite the pressure on net interest income, we have continued to maintain our loan sale income throughout the year to offset the decline in the net interest spread and margin. Despite this challenge, we have been able to achieve significant net income in a very challenging year. We expect calendar year 2024 to continue to be challenging but with the potential for no further Federal Reserve rate hikes, we believe our net interest margin and spread will improve once the rate hikes from the Federal Reserve abate and begin to decline. Management remains committed to managing non-interest expenses and non-interest income to maintain earnings during the current rising interest rate environment and a very competitive deposit rate market.”

## **Balance Sheet**

On a year-over-year basis, total assets grew by \$59.6 million, or 6.6%, driven by the Bank’s loan originations offset by non-conforming loan sales. Total assets for the quarter ended December 31, 2023, increased by \$9.9 million to \$963.5 million as the bank continued to originate commercial and non-conforming loans while continuing to sell a portion of the non-conforming loans to the secondary market. As of December 31, 2023, the Bank has been able to generate a non-conforming loan pipeline of \$42.5 million and commercial loan pipeline of \$22.6 million with weighted average interest rates of 8.30% and 7.97%, respectively.

On a year-over-year basis, total deposits grew by \$22.1 million, or 2.8%, as the Bank continues to grow deposits through its retail branches. The Bank has also been successful in maintaining the non-interest-bearing deposits through non-conforming loan originations and the retail branches. As of December 31, 2023, total non-interest-bearing deposits were \$105.2 million or 12.9% of total deposits. In addition to deposit growth, the Bank has used short-term borrowings from FHLB-NY and FRB to fund growth. Total borrowings for the quarter ended December 31, 2023, were \$45.0 million.

The Bank’s overall average cost of funds was 3.28% for the quarter ended December 31, 2023, an increase of 28 basis points from 3.00% from the prior linked quarter. Despite the increase in the current quarter, the increase in the cost of funds slowed compared to the increase of 39 basis points in the third quarter of 2023. The current interest rate environment continues negatively impact the Bank’s cost of funds in the short term, however, management continues to be pro-active in securing certificates of deposit in the current interest rate environment to better position the interest-rate-risk profile of the Bank in anticipation of rate reductions in the months to come. Management believes this strategy will better protect and enhance future earnings when rates begin to decline, and our deposits reprice downward in the latter stages of 2024.

## Loan Portfolio and Asset Quality

For the twelve-month period ended December 31, 2023, the Bank's loan portfolio grew by \$88.3 million, or 11.8%, with the growth concentrated primarily in non-conforming residential loans. Management continues to employ a strategy of concentrating its loan growth in these products, which provides the Bank with traditionally safe credit quality at acceptable credit spreads, greater liquidity and an enhanced interest-rate-risk profile. Over the past twelve months, originations of the non-conforming product amounted to \$232.0 million. At December 31, 2023, the entire non-conforming loan portfolio amounted to \$454.3 million, with an average loan balance of \$585 thousand and a weighted average loan-to-value ratio of 62.5%.

As a result of the Bank's robust non-conforming loan generation capabilities, the Bank had been able to generate additional income by strategically originating and selling its non-conforming loans to other financial institutions at premiums. The Bank expects that it will continue to originate, in the near term, for its own portfolio and, in the long term, for others, which will result in a continued increase in interest income while also realizing gains on sale of loans. For the twelve months ended December 31, 2023, the Bank earned \$3.7 million in premiums on loans sold net of FASB 91 fees and costs.

The Bank's asset quality ratios remained strong. At December 31, 2023, the loan portfolio had non-performing loans of \$4.4 million or 0.53% of total loans and 0.46% of total assets. The total allowance for loan losses at December 31, 2023, was \$8.3 million, or 1.01% of total loans.

## About First Central Savings Bank

With assets of \$963.5 million at December 31, 2023, First Central Savings Bank is a locally owned and operated community savings bank, focusing on highly personalized and efficient services and products responsive to local needs. Management and the Board of Directors are comprised of a select group of successful local businessmen who are committed to the success of the Bank by knowing and understanding the metro-New York area's financial needs and opportunities. Backed by state-of-the-art technology, First Central offers a full range of modern financial services. First Central employs a complete suite of consumer and commercial banking products and services, including multi-family and commercial mortgages, ADC and bridge loans, residential loans, middle market business loans and lines of credit. First Central also offers customers 24-hour ATM service with no fees attached, free checking with interest, mobile banking, the most advanced technologies in internet banking for our consumer and business customers, safe deposit boxes and much more. The Bank continues to roll out mobile banking software products as well as our "Zelle" money transfer product to our customers. First Central Savings Bank maintains its corporate office in Glen Cove, New York with an additional six branches throughout Queens New York, one branch in Nassau County, New York, and one branch in Suffolk County, New York.

First Central Savings Bank is a member of the Federal Deposit Insurance Corporation and is an Equal Housing/Equal Opportunity Lender. For further information, call 516-399-6010 or visit the Bank's state-of-the-art website at [www.myfcsb.com](http://www.myfcsb.com).

## Forward-Looking Statements

This release may contain certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and may be identified by the use of such words as "may," "believe," "expect," "anticipate," "should," "plan," "estimate," "predict," "continue," and "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to the financial condition, results of operations and business of First Central Savings Bank. Any or all of the forward-looking statements in this release and in any other public statements made by First Central Savings Bank may turn out to be incorrect. They can be affected by inaccurate assumptions First Central Savings Bank might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. First Central Savings Bank does not intend to update any of the forward-looking statements after the date of this release or to conform these statements to actual events.

**First Central Savings Bank**  
**Statements of Condition - (unaudited)**  
**(dollars in thousands)**

	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>12/31/2022</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 50,955	\$ 55,156	\$ 73,851
Certificates of deposit	2,000	1,000	2,500
Investments Available for Sale	43,057	41,978	45,319
Investments Held to Maturity	1,000	2,008	2,008
Loans held for sale	8,126	9,648	3,052
Loans receivable	827,278	812,826	744,084
Less: allowance for loan losses	(8,347)	(8,193)	(7,626)
Loans, net	<u>818,931</u>	<u>804,633</u>	<u>736,458</u>
Other assets	<u>39,466</u>	<u>39,194</u>	<u>40,808</u>
<b>Total Assets</b>	<u><u>\$ 963,535</u></u>	<u><u>\$ 953,617</u></u>	<u><u>\$ 903,996</u></u>
<b>Liabilities and Shareholders Equity</b>			
Total Deposits	\$ 816,285	\$ 832,629	\$ 794,180
FHLB Advances and other borrowings	45,000	20,000	15,000
Other Liabilities	<u>18,318</u>	<u>19,262</u>	<u>17,415</u>
<b>Total Liabilities</b>	<u>879,603</u>	<u>871,891</u>	<u>826,595</u>
Total Shareholders' Equity	<u>83,932</u>	<u>81,726</u>	<u>77,401</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u><u>\$ 963,535</u></u>	<u><u>\$ 953,617</u></u>	<u><u>\$ 903,996</u></u>

**First Central Savings Bank**  
**Statements of Income - (unaudited)**  
(dollars in thousands, except per share data)

	Quarter Ended 12/31/2023	Quarter Ended 12/31/2022	12 Months Ended 12/31/2023	12 Months Ended 12/31/2022
Total Interest income	\$ 13,767	\$ 11,539	\$ 53,465	\$ 39,481
Total interest expense	6,991	3,334	23,466	7,383
<b>Net interest income</b>	<b>6,776</b>	<b>8,205</b>	<b>29,999</b>	<b>32,098</b>
Provision for loan losses	25	50	402	2,564
<b>Net interest income after provision for loan loss</b>	<b>6,751</b>	<b>8,155</b>	<b>29,597</b>	<b>29,534</b>
Net gain on loans sold	1,023	882	3,738	4,407
Net gains on sale of securities	109	-	109	-
Other non-interest income	270	225	1,253	1,042
<b>Total non-interest income</b>	<b>1,402</b>	<b>1,107</b>	<b>5,100</b>	<b>5,449</b>
Compensation and benefits	3,882	3,758	14,108	12,830
Occupancy and Equipment	894	1,053	3,811	3,687
Data processing	416	375	1,658	1,587
Federal insurance premium	139	150	672	470
Professional fees	301	342	1,711	1,423
Other	950	887	3,755	3,340
<b>Total non-interest expense</b>	<b>6,582</b>	<b>6,565</b>	<b>25,715</b>	<b>23,337</b>
<b>Income before income taxes</b>	<b>1,571</b>	<b>2,697</b>	<b>8,982</b>	<b>11,646</b>
Income tax expense	318	560	1,847	2,416
<b>Net income</b>	<b>\$ 1,253</b>	<b>\$ 2,137</b>	<b>\$ 7,135</b>	<b>\$ 9,230</b>
Basic Earnings per Share-GAAP basis	\$ 0.12	\$ 0.20	\$ 0.67	\$ 0.87
Diluted Earnings per Share-GAAP basis	\$ 0.12	\$ 0.20	\$ 0.67	\$ 0.87
<b>Supplementary Information:</b>				
Net Income	\$ 1,253	\$ 2,137	\$ 7,135	\$ 9,230
<b>Add Back non-cash charges</b>				
Provision for loan losses	25	50	402	2,564
Depreciation expense	258	247	1,027	786
Provision for federal income taxes	-	-	-	974
<b>Cash Net income</b>	<b>\$ 1,536</b>	<b>\$ 2,434</b>	<b>\$ 8,564</b>	<b>\$ 13,554</b>
Basic Earnings per Share-GAAP basis	\$ 0.14	\$ 0.23	\$ 0.80	\$ 1.27
Diluted Earnings per Share-GAAP basis	\$ 0.14	\$ 0.23	\$ 0.80	\$ 1.27

**First Central Savings Bank**  
**Statements of Income - (unaudited)**  
(dollars in thousands, except per share data)

	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 6/30/2023	Quarter Ended 3/31/2023
Total Interest income	\$ 13,767	\$ 13,789	\$ 13,547	\$ 12,362
Total interest expense	6,991	6,427	5,572	4,476
<b>Net interest income</b>	<b>6,776</b>	<b>7,362</b>	<b>7,975</b>	<b>7,886</b>
Provision for loan losses	25	(173)	215	335
<b>Net interest income after provision for loan loss</b>	<b>6,751</b>	<b>7,535</b>	<b>7,760</b>	<b>7,551</b>
Net gain on loans sold	1,023	1,372	883	460
Net gains on sale of securities	109	-	-	-
Other non-interest income	270	379	326	278
<b>Total non-interest income</b>	<b>1,402</b>	<b>1,751</b>	<b>1,209</b>	<b>738</b>
Compensation and benefits	3,882	3,659	3,323	3,244
Occupancy and Equipment	894	943	967	1,007
Data processing	416	401	458	383
Federal insurance premium	139	198	175	160
Professional fees	301	314	689	407
Other	950	1,080	892	833
<b>Total non-interest expense</b>	<b>6,582</b>	<b>6,595</b>	<b>6,504</b>	<b>6,034</b>
<b>Income before income taxes</b>	<b>1,571</b>	<b>2,691</b>	<b>2,465</b>	<b>2,255</b>
Income tax expense	318	556	509	464
<b>Net income</b>	<b>\$ 1,253</b>	<b>\$ 2,135</b>	<b>\$ 1,956</b>	<b>\$ 1,791</b>
Basic Earnings per Share-GAAP basis	\$ 0.12	\$ 0.20	\$ 0.18	\$ 0.17
Diluted Earnings per Share-GAAP basis	\$ 0.12	\$ 0.20	\$ 0.18	\$ 0.17
<b>Supplementary Information:</b>				
Net Income	\$ 1,253	\$ 2,135	\$ 1,956	\$ 1,791
<b>Add Back non-cash charges</b>				
Provision for loan losses	25	(173)	215	335
Depreciation expense	258	258	254	257
Provision for federal income taxes	-	-	-	-
<b>Cash Net income</b>	<b>\$ 1,536</b>	<b>\$ 2,220</b>	<b>\$ 2,425</b>	<b>\$ 2,383</b>
Basic Earnings per Share-GAAP basis	\$ 0.14	\$ 0.21	\$ 0.23	\$ 0.22
Diluted Earnings per Share-GAAP basis	\$ 0.14	\$ 0.21	\$ 0.23	\$ 0.22

**First Central Savings Bank**

**Selected Financial Data - (unaudited)**

(dollars in thousands, except per share data)

	Quarter Ended 12/31/2023	Quarter Ended 9/30/2023	Quarter Ended 6/30/2023	Quarter Ended 12/31/2022
<b>Asset Quality:</b>				
Allowance for Loan Losses (1)	\$ 8,347	\$ 8,193	\$ 8,364	\$ 7,626
Allowance for Loan Losses to Total Loans (1)	1.01%	1.01%	1.01%	1.02%
Non-Performing Loans	\$ 4,385	\$ 4,162	\$ 3,764	\$ 3,134
Non-Performing Loans/Total Loans	0.53%	0.51%	0.45%	0.42%
Non-Performing Loans/Total Assets	0.46%	0.44%	0.39%	0.35%
Allowance for Loan Losses/Non-Performing Loans	190.35%	196.85%	222.21%	243.33%
<b>Capital: (dollars in thousands)</b>				
Tier 1 Capital	\$ 88,236	\$ 88,047	\$ 85,913	\$ 81,651
Tier 1 Leverage Ratio	9.23%	9.20%	8.94%	9.24%
Common Equity Tier 1 Capital Ratio	13.19%	13.14%	12.49%	12.96%
Tier 1 Risk Based Capital Ratio	13.19%	13.14%	12.49%	12.96%
Total Risk Based Capital Ratio	14.44%	14.39%	13.73%	14.20%
<b>Equity Data</b>				
Common shares outstanding	10,648,345	10,648,345	10,648,345	10,648,345
Stockholders' equity	\$ 83,932	\$ 81,726	\$ 80,603	\$ 77,401
Book value per common share	7.88	7.67	7.57	7.27
Tangible common equity	83,932	81,726	80,603	77,401
Tangible book value per common share	7.88	7.67	7.57	7.27

(1) Calculation excludes loans held for sale

**First Central Savings Bank**  
**Selected Financial Data - (unaudited)**  
(dollars in thousands)

	<u>Quarter Ended</u> <u>12/31/2023</u>	<u>Quarter Ended</u> <u>9/30/2023</u>	<u>Quarter Ended</u> <u>6/30/2023</u>	<u>Quarter Ended</u> <u>12/31/2022</u>
<b>Other: (in thousands)</b>				
Average Interest-Earning Assets	928,162	927,745	932,224	853,239
Average Interest-Bearing Liabilities	740,574	735,245	726,680	672,168
Average Deposits and Borrowings	846,091	849,379	856,450	781,237
<b>Profitability:</b>				
Return on Average Assets	0.52%	0.89%	0.82%	0.97%
Return on Average Equity	6.07%	10.40%	9.82%	11.21%
Yield on Average Interest Earning Assets	5.88%	5.90%	5.83%	5.37%
Cost of Average Interest Bearing Liabilities	3.75%	3.47%	3.08%	1.97%
Cost of Funds	3.28%	3.00%	2.61%	1.69%
Net Interest Rate Spread (1)	2.14%	2.43%	2.75%	3.40%
Net Interest Margin (2)	2.90%	3.15%	3.43%	3.82%
Non-Interest Expense to Average Assets	2.77%	2.68%	2.73%	2.97%
Efficiency Ratio	82.02%	70.48%	70.82%	70.50%

(1) Net interest rate spread represents the difference between the average yield on average interest-earning assets and the average cost of average interest-bearing liabilities

(2) Net interest margin represents net interest income divided by average interest earning assets