GELT BANCORP INC.

Consolidated Financial Statements | December 31, 2024

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

GELT Bancorp, Inc.

Contents

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
GELT Bancorp, Inc.
Bird-in-Hand, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of GELT Bancorp, Inc. and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023; the related consolidated statements of operations, changes in shareholders' 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 26, 2025, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

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S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

S.R. Snodgrass P.C.

Conshohocken, Pennsylvania
March 27, 2025

GELT BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(in thousands, except share and per-share data)

	2024	2023
ASSETS		
Cash and due from banks	$ 16,516	$ 20,126
Interest-bearing deposits with other banks	142,705	109,993
Total cash and cash equivalents	159,221	130,119
Certificates of deposit at other banks	1,747	-
Loans receivable, net of allowance for credit losses of $8,170 at December 31, 2024, and $7,038 at December 31, 2023	1,379,255	1,181,836
Bank premises and equipment, net	9,711	10,457
Operating lease right of use asset	3,054	3,336
Accrued interest receivable	5,059	4,364
Restricted investment in bank stock	5,037	5,924
Bank owned life insurance	25,863	24,966
Other assets	2,788	2,449
TOTAL ASSETS	$ 1,591,735	$ 1,363,451
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 117,235	$ 102,031
Interest-bearing demand	613,319	539,517
Time deposits	597,428	447,835
Total deposits	1,327,982	1,089,383
Borrowings	98,000	118,000
Accrued interest payable	1,685	1,052
Finance lease obligation	5,677	6,069
Operating lease obligation	3,145	3,398
Other liabilities	8,022	4,296
TOTAL LIABILITIES	1,444,511	1,222,198
SHAREHOLDERS' EQUITY		
Preferred stock, $1.00 par value, 2,000,000 shares authorized, and no outstanding shares at December 31, 2024 and 2023.	-	-
Common stock, $1.00 par value, 50,000,000 shares authorized, and 7,978,886 and 7,976,150 shares issued and outstanding at December 31, 2024 and 2023, respectively.	7,979	7,976
Additional paid-in capital	107,166	107,142
Accumulated earnings	32,079	26,135
TOTAL SHAREHOLDERS' EQUITY	147,224	141,253
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,591,735	$ 1,363,451

See accompanying notes to consolidated financial statements.

GELT BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
DECEMBER 31, 2024 AND 2023
(in thousands, except share data)

	2024	2023
INTEREST INCOME		
Loans, including fees	$ 72,077	$ 51,653
Deposits with banks and other	7,498	5,987
Total interest income	79,575	57,640
INTEREST EXPENSE		
Deposits	40,174	23,452
FHLB advances and finance leases	4,036	3,049
Total interest expense	44,210	26,501
NET INTEREST INCOME	35,365	31,139
Provision for credit losses	1,149	1,048
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	34,216	30,091
NONINTEREST INCOME		
Service fees	1,730	1,383
ATM and debit card fees	862	711
Earnings on bank-owned life insurance	896	538
Other	121	94
Total other income	3,609	2,726
NONINTEREST EXPENSES		
Salaries and employee benefits	15,781	13,064
Occupancy	2,637	2,393
Data processing	1,746	1,485
Professional services	2,268	1,398
Advertising	339	269
Other operating expenses	4,539	4,127
Total noninterest expenses	27,310	22,736
INCOME BEFORE INCOME TAXES	10,515	10,081
Income taxes	2,416	2,395
NET INCOME	$ 8,099	$ 7,686
EARNINGS PER SHARE, BASIC	$ 1.02	$ 1.04
EARNINGS PER SHARE, DILUTED	$ 1.02	$ 1.04

See accompanying notes to consolidated financial statements.

GELT BANCORP, INC
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands, except share data)

	Common Stock	Additional Paid-in Capital	Accumulated Earnings	Total
Balance, December 31, 2022	$ 7,258	$ 88,420	$ 18,996	$ 114,674
Cumulative effect of adoption of ASU 2016-13	-	-	1,419	1,419
Issuance of 23,125 shares of common stock for exercise of organizer stock warrants	23	162	-	185
Net proceeds from the issuance of 695,403 shares of common stock, net of issuance costs of $216,000	695	18,560	-	19,255
Common stock dividend ($0.27 per share)	-	-	(1,966)	(1,966)
Net income	-	-	7,686	7,686
Balance, December 31, 2023	$ 7,976	$ 107,142	$ 26,135	$ 141,253
Issuance of 2,736 shares of restricted common stock	3	(3)	-	-
Stock-based compensation	-	27	-	27
Common stock dividend ($0.27 per share)	-	-	(2,155)	(2,155)
Net income	-	-	8,099	8,099
Balance, December 31, 2024	$ 7,979	$ 107,166	$ 32,079	$ 147,224

See accompanying notes to consolidated financial statements.

GELT BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,099	$ 7,686
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	1,149	1,048
Deferred income tax	(707)	(190)
Amortization of net loan fees	1,668	1,471
Depreciation of premises and equipment	1,421	1,323
Amortization of operating lease right of use asset	29	33
Earnings on bank-owned life insurance	(896)	(538)
Directors' stock-based compensation expense	27	-
Increase in accrued interest receivable and other assets	(727)	(1,784)
Increase in accrued interest payable and other liabilities	2,597	2,224
Net cash provided by operating activities	12,660	11,273
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	(200,230)	(207,525)
Purchases of restricted investment in bank stock	(2,113)	(1,752)
Redemption of restricted investment in bank stock	3,000	1,160
Purchases of certificates of deposit from other banks	(1,747)	-
Purchase of bank-owned life insurance	-	(13,470)
Purchases of premises and equipment	(675)	(1,123)
Net cash used in investing activities	(201,765)	(222,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	238,599	195,438
Repayments on finance lease obligations	(392)	(326)
Net decrease in short-term borrowings	(10,000)	(5,000)
Repayment of long-term borrowings	(20,000)	(19,000)
Proceeds from long-term borrowings	10,000	30,000
Issuance of common stock, net of offering costs	-	19,255
Issuance of common stock from the exercise of stock warrants	-	185
Payment of cash dividend	-	(1,966)
Net cash provided by financing activities	218,207	218,586
Increase in cash and cash equivalents	29,102	7,149
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	130,119	122,970
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 159,221	$ 130,119

See accompanying notes to consolidated financial statements.

GELT BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands)

		2024		2023
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	$	43,577	$	26,237
Income taxes	$	2,995	$	2,545
Supplemental disclosure of non-cash cash flow information:				
Finance lease right of use asset and lease liability	$	-	$	1,143
Operating lease right of use asset	$	44	$	-
Operating lease liability	$	44	$	-

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Organization and Nature of Operations

Bank of Bird-in-Hand (the "Bank") was incorporated on May 31, 2013 (date of inception), under the laws of the Commonwealth of Pennsylvania and is a Pennsylvania state-chartered bank. The Bank obtained its certificate of authorization to do business on November 29, 2013, commenced operations on December 2, 2013, and is a full-service bank providing personal and business lending and deposit services.

On December 1, 2015, the Bank, in accordance with Section 1609 of the Pennsylvania Banking Code of 1965, effected a conversion from a Pennsylvania state-chartered bank into a Pennsylvania state-chartered stock savings bank. The Plan of Conversion was approved and adopted by a unanimous vote of the directors and by at least a two-thirds vote of shareholders at a special meeting on October 27, 2015. As a state-chartered stock savings bank, the Bank is subject to regulation by the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation (FDIC). The Bank maintains its principal office in Bird-in-Hand, Pennsylvania, and provides financial services to individuals and businesses and other entities primarily located in Lancaster County and surrounding Pennsylvania counties.

On October 1, 2024, the Bank reorganized into a holding company structure whereby it became the wholly owned subsidiary of GELT Bancorp, Inc. (the "Corporation"), a newly formed Pennsylvania corporation. The Corporation is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "Holding Company Act"). The Corporation's primary business is the ownership and operation of the Bank, and other than its ownership of the Bank, to date the Corporation has no material operations.

Basis of Presentation

The accounting and financial reporting policies of GELT Bancorp, Inc. and its subsidiary, Bank of Bird-in-Hand, conform to accounting principles generally accepted in the United States of America (GAAP), and to general practices within the banking industry. The comparative financial statements include the consolidated financial information for the Corporation for 2024 and the Bank for 2023.

All significant intercompany transactions have been eliminated in consolidation for 2024. The policies that materially affect the consolidated financial statements of the Corporation, including the determination of financial position, results of operations, and cash flows are summarized below.

Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term, such as the determination of the allowance for credit losses, are evaluated regularly by management. Actual results could differ from those reported estimates given different conditions or assumptions.

In accordance with Accounting Standards Codification (ASC) Topic 825, *Financial Instruments*, entities other than public business entities are not required to disclose the fair values of financial assets and financial liabilities measured in the financial statements at amortized costs.

Concentrations of Credit Risk

The Corporation grants commercial loans, commercial mortgages, agricultural loans and mortgages, residential mortgages, home equity, and consumer loans to businesses and individuals located in Lancaster

1. Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk (Continued)

County and the surrounding Pennsylvania counties. The concentration of credit by type of loan is set forth in Note 2. Its debtors' ability to honor their contracts is influenced by the region's economy.

Cash and Cash Equivalents

Cash and cash equivalents for purposes of reporting cash flows consisted of cash on hand, collection items, amounts due from banks, and interest-bearing deposits in other banks with original maturities of three months or less.

Cash deposits are maintained in other depository institutions that occasionally exceed the amount of deposit insurance available. Management periodically assesses the financial condition of these institutions and believes that the risk of any possible credit loss is minimal.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits with banks, and federal funds sold. Generally, federal funds are purchased or sold for one-day periods.

Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. Other than net income, the Corporation had no components of comprehensive income at December 31, 2024 and 2023.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Accrued interest receivable totaled $5,059,000 and $4,364,000 at December 31, 2024 and 2023, respectively, as reported on the consolidated balance sheets, and are excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Corporation is generally amortizing these amounts over the contractual life of the loan.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial and industrial, agricultural, and commercial real estate. Consumer loans consist of the following classes: residential mortgages, home equity loans, and other consumer loans.

A majority of the Corporation's loan assets are loans to business owners of many types, such as entrepreneurs, proprietors, professionals, partnerships, LLPs, LLCs, and corporations. The Corporation, through the Bank, makes commercial loans for purchases and refinances, equipment financing, accounts receivable and inventory financing, and other purposes, as required by the customer base. The assets financed are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets, such as accounts receivable and inventory, to cash.

1. Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

The Corporation's credit policies determine advance rates against the different forms of collateral that can be pledged against commercial loans. Typically, the majority of loans will be limited to a percentage of their underlying collateral values such as real estate values, equipment, eligible accounts receivable, and finished inventory or raw material. Individual loan advance rates may be higher or lower, depending upon the financial strength of the borrower and/or the term of the loan.

Non-real estate secured commercial-term loans may have maturities up to ten years and generally have fixed interest rates for up to five years. Commercial lines of credit are renewed annually and generally carry variable interest rates. Typical collateral for commercial loans includes the borrower's accounts receivable, inventory, and machinery and equipment. Agricultural loans are secured by properties such as farmland, agricultural-related properties, or equipment. These loans are highly dependent on the business operations for repayment.

Commercial real estate loans include long-term loans financing commercial properties. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale or lease of the subject property. Commercial real estate loans require a loan-to-value ratio of not greater than 80 percent. The maximum loan amortization is 25 years. Interest rates can be either floating or adjustable periods of up to five years with a rate reset provision.

Commercial and agricultural construction loans include loans to finance the construction or rehabilitation of commercial/agricultural properties, multi-family properties, or one-to-four family residential structures.

Consumer home equity lines of credit and residential mortgages are secured by the borrower's residential real estate in either a first or second lien position. Consumer home equity lines require a loan-to-value ratio of not greater than 80 percent, with limited exceptions. Consumer home equity lines of credit have variable rates and a 15-year draw period followed by a 15-year repayment period. Residential mortgages have adjustable rates with terms and amortization up to 30 years. The Corporation also offers 3/1, 5/1, 7/1, and 10/1 adjustable-rate mortgages.

Other consumer loans include personal lines of credit and personal term loans. The majority of these loans are unsecured.

The majority of commercial and consumer loans are located in the Lancaster County and surrounding areas.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses - Loans

The Allowance for Credit Losses (ACL) is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be

1. Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses – Loans (Continued)

collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The ACL methodology described in Financial Accounting Standards Board (FASB) ASC Topic 326, *Financial Instruments – Credit Losses,* applies to loans held for investment and off balance-sheet credit exposures. The expected loss estimate is made up of historical lookback of actual losses applied over the life of the loan portfolio and adjusted for qualitative factors and forecasted losses based on economic and forward-looking data applied over a reasonable and supportable forecast period.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist. The Corporation measures the ACL using the following methods. Historical credit loss experience is the basis for the estimation of expected credit losses. The Corporation utilizes its own internal average loss ratio if it is greater than a Management determined peer group ratio. The Corporation applies historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. A reasonable and supportable forecast adjustment is based on the unemployment forecast and GDP from the Federal Open Market Committee (FOMC) relative to the average of these metrics over a +20-year period. The reasonable and supportable forecast is over a 12-month period. The qualitative adjustments for current conditions are based upon changes in lending policies and procedures, nature and volume of loan portfolio, experience and ability of lending management and staff, volume and severity of past due, classified, and nonaccrual loans, quality of the Corporation's loan review, underlying value of collateral, and national, regional, and local economic conditions and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan, over the life of the loan, to calculate a required reserve.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore should be individually assessed. Commercial loans are evaluated if they meet the following criteria: 1) when it is determined that foreclosure is probable, 2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, 3) the fair value of the collateral when the loan is collateral dependent. Individual loan evaluations consist primarily of the fair value of collateral method because most of the Corporation's loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

The Corporation has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against income.

In addition, federal regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for credit losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for credit losses is adequate.

1. Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures - The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance sheet credit exposures is adjusted through provision expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance is carried as a liability and is included in other liabilities on the Consolidated Balance Sheets. The liability was $58,000 and $53,000 as of December 31, 2024 and 2023, respectively. As the unadvanced portion of lines of credit increases, this allowance will increase.

Transfers of Financial Assets

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

Bank-Owned Life Insurance

The Corporation invests in bank-owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Corporation on a chosen group of officers. The Corporation is the owner and beneficiary of the policies. The life insurance investment is carried at the cash surrender value of the underlying policies. Increases in cash surrender value are recorded in other income.

Restricted Investment in Bank Stock

At December 31, 2024 and 2023, restricted stock is comprised of stock in the Federal Home Loan Bank of Pittsburgh (FHLB) in the amount of $4,967,400 and $5,854,200, respectively, and in stock of Atlantic Community Bankers Bank (ACBB) in the amount of $70,000 and $70,000, respectively. All restricted stock is carried at cost. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of the cost rather than by recognizing temporary declines in value.

Management believes no impairment charge is necessary related to the restricted stock as of December 31, 2024 and 2023.

Corporation Premises and Equipment

Corporation premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

Leasehold improvements are amortized to expense over the shorter of the term of the respective lease, including renewal options if reasonably assured, or the estimated useful life of the improvements.

Advertising Costs

The Corporation follows the policy of charging the costs of advertising to expense as incurred.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

Current income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the current-period taxable income. The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, net operating loss carryforwards, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense (benefit) results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Corporation accounts for uncertain tax positions if it is “more likely than not” based on the technical merits, that the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50 percent; the terms “examined” and “upon examination” also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management’s judgment. The Corporation had no uncertain tax positions at December 31, 2024 and 2023.

The Corporation recognizes interest and penalties on income taxes, if any, as a component of the provision for income taxes. There was no interest or penalties recognized during 2024 and 2023.

Federal and state tax returns from 2021 through 2023 are open for examination as of December 31, 2024.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Corporation has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. Such financial instruments are recorded in the balance sheet when they are funded.

1. Summary of Significant Accounting Policies (Continued)

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Corporation relate to outstanding restricted stock awards.

(In thousands, except share and per-share data)	2024	2023
Net income	$ 8,099	$ 7,686
Weighted-average number of shares outstanding (basic)	7,977,989	7,412,996
Effect of dilutive securities	-	-
Weighted-average number of shares outstanding (diluted)	7,977,989	7,412,996
Per share information:		
Basic earnings per share	$ 1.02	$ 1.04
Diluted earnings per share	$ 1.02	$ 1.04

As of December 31, 2023, there were no options to purchase shares of common stock. At December 31, 2024 and 2023, there were no awards excluded from the computation of diluted earnings per share, as there were no awards outstanding with an anti-dilutive impact.

Revenue Recognition

The Corporation accounts for applicable revenue in accordance with ASC Topic 606-*Revenue from Contracts with Customers*. Under ASC Topic 606, management determined that the primary sources of revenue emanating from interest and dividend income on loans and investments, along with noninterest revenue resulting from loans servicing and earnings on bank-owned life insurance, are not within scope of this Topic. The main sources of noninterest income within the scope of the standard are as follows:

- Insufficient fund fees and other service charges– Revenue from service charges on deposit accounts is earned through cash management, wire transfer, and other deposit-related services; as well as overdraft, non-sufficient funds, account management, and other deposit-related fees. Revenue is recognized for these services either over time, corresponding with deposit accounts' monthly cycle, or at a point in time for transactional related services and fees.

- ATM interchange and fee income – ATM fees are primarily generated when a cardholder uses a non-bank ATM or a non-bank cardholder used a bank ATM. The Corporation's performance obligation for ATM fee income is largely satisfied, and related revenue recognized, when the services are rendered or upon completion.

The Corporation determined that the level of disaggregation of revenue, as reported on the Consolidated Statements of Operations, provided a sufficient level of detail in order to properly analyze the significant revenue streams of the Corporation and, therefore, no further disaggregation of any revenue streams within the scope of ASC 606 was considered to be necessary.

2. Loans Receivable

The composition of loans receivable at December 31, 2024 and 2023, is as follows (in thousands):

	2024	2023
Commercial and industrial	$ 801,935	$ 656,508
Agricultural	458,916	411,026
Commercial real estate	17,709	18,942
Residential mortgage	78,801	76,636
Home equity	24,550	20,669
Consumer, other	1,077	1,088
Total	$ 1,382,988	$ 1,184,869
Unearned net loan origination fees and costs	4,437	4,005
Allowance for credit losses	(8,170)	(7,038)
Net loans	$ 1,379,255	$ 1,181,836

3. Allowance for Credit Losses

The following tables present the activity in the allowance for credit losses by loan class for the years ended December 31, 2024 and 2023 (in thousands):

December 31, 2024	Beginning Balance	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
Commercial and industrial	$ 5,100	$ -	$ -	$ 971	$ 6,071
Agricultural	1,213	-	-	119	1,332
Commercial real estate	172	-	-	(13)	159
Residential mortgage	416	-	-	24	440
Home equity	134	-	-	31	165
Consumer, other	3	(13)	2	11	3
Total	$ 7,038	$ (13)	$ 2	$ 1,143	$ 8,170

For the year ended December 31, 2024, management charged off $13,000 in loans while recovering $2,000 and added $1,143,000 to the provision for credit losses related to loans and added $6,000 to the provision for off-balance sheet credit exposures for a combined provision of $1,149,000.

3. Allowance for Credit Losses (Continued)

December 31, 2023		Beginning Balance	Adoption of ASC 326		Charge-offs		Recoveries		Provisions		Ending Balance
Commercial and industrial	$	4,266	66	$	-	$	-	$	768	$	5,100
Agricultural		2,549	(1,570)		-		-		234		1,213
Commercial real estate		156	3		-		-		13		172
Residential mortgage		671	(267)		-		-		12		416
Home equity		168	(48)		-		-		14		134
Consumer, other		12	(10)		(4)		1		4		3
Total	$	7,822	(1,826)	$	(4)	$	1	$	1,045	$	7,038

For the year ended December 31, 2023, management charged off $4,000 in loans while recovering $1,000 and added $1,045,000 to the provision for credit losses related to loans and added $3,000 to the provision for off-balance sheet credit exposures for a combined provision of $1,048,000.

Credit Quality Indicators

The Corporation 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 Corporation analyzes loans individually to classify the loans as to credit risk. This analysis includes loans with a relationship outstanding balance greater than $450,000 and non-homogeneous loans, such as commercial real estate, agricultural, and commercial and industrial loans. This analysis is performed on a yearly basis.

The Corporation uses the following definitions for loan (asset) risk ratings:

Pass - Assets in this category are currently protected by verifiable repayment sources, both primary and secondary. Weaknesses or adverse trends may exist, but these will not inordinately jeopardize the credit position and/or the ability to repay the loan on a timely basis. These constitute only acceptable credit risks in light of the circumstances surrounding the credit.

Special Mention - Assets in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose the institution to enough risk to warrant adverse classification.

Substandard - Assets so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are further characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. Assets in this category may be inadequately protected by the current sound worth of the obligor or by the collateral pledged, if any. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in the individual assets classified substandard. All non-accrual loans will be classified substandard; however, a loan that begins performing again after being on non-accrual will not be upgraded until evidence that the underlying situation that caused the non-accrual status has been rectified.

Doubtful - Doubtful assets have all the weaknesses inherent in substandard assets 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. The possibility of loss is well defined, but because of certain important and reasonably specific pending factors that may work to strengthen the asset, a further classification is deferred until its most exact status may be determined. Pending factors include merger, acquisition, or liquidation procedures, capital injection, perfecting liens or additional collateral and refinancing plans.

3. Allowance for Credit Losses (Continued)

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard, and doubtful within the Corporation's internal risk rating system as of December 31, 2024 and 2023 (in thousands):

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
December 31, 2024									
Commercial and industrial									
Pass	$ 193,675	$ 129,339	$ 171,046	$ 116,852	$ 44,902	$ 59,501	$ 84,920	$ -	$ 800,235
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	174	1,526	-	-	-	-	-	1,700
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 193,675	$ 129,513	$ 172,572	$ 116,852	$ 44,902	$ 59,501	$ 84,920	$ -	$ 801,935
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agricultural									
Pass	$ 84,150	$ 88,295	$ 101,774	$ 62,488	$ 38,263	$ 57,070	$ 25,226	$ -	$ 457,266
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	475	778	-	342	5	50	-	1,650
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 84,150	$ 88,770	$ 102,552	$ 62,488	$ 38,605	$ 57,075	$ 25,276	$ -	$ 458,916
Agricultural									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Real Estate									
Pass	$ 124	$ -	$ 3,203	$ 8,512	$ 295	$ 5,575	$ -	$ -	$ 17,709
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 124	$ -	$ 3,203	$ 8,512	$ 295	$ 5,575	$ -	$ -	$ 17,709
Commercial Real Estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

3. Allowance for Credit Losses (Continued)

December 31, 2024	Term Loans Amortized Cost Basis by Origination Year 2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Residential mortgage									
Pass	$ 9,791	$ 7,858	$ 17,317	$ 20,884	$ 20,601	$ 1,955	$ -	$ -	$ 78,406
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	191	-	-	-	204	-	-	-	395
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 9,982	$ 7,858	$ 17,317	$ 20,884	$ 20,805	$ 1,955	$ -	$ -	$ 78,801
Residential mortgage									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,550	$ -	$ 24,550
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,550	$ -	$ 24,550
Home equity									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer, other									
Pass	$ 281	$ 120	$ 16	$ -	$ -	$ -	$ 660	$ -	$ 1,077
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 281	$ 120	$ 16	$ -	$ -	$ -	$ 660	$ -	$ 1,077
Consumer, other									
Current period gross charge-offs	$ 13	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13

3. Allowance for Credit Losses (Continued)

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
December 31, 2023									
Commercial and industrial									
Pass	$ 145,415	$ 190,356	$ 130,825	$ 50,757	$ 28,045	$ 41,464	$ 68,756	$ 890	$ 656,508
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 145,415	$ 190,356	$ 130,825	$ 50,757	$ 28,045	$ 41,464	$ 68,756	$ 890	$ 656,508
Commercial and industrial									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agricultural									
Pass	$ 98,231	$ 115,569	$ 69,136	$ 42,743	$ 17,593	$ 47,159	$ 20,421	$ -	$ 410,852
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	174	-	-	174
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 98,231	$ 115,569	$ 69,136	$ 42,743	$ 17,593	$ 47,333	$ 20,421	$ -	$ 411,026
Agricultural									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Real Estate									
Pass	$ -	$ 3,597	$ 9,005	$ 310	$ 3,514	$ 2,516	$ -	$ -	$ 18,942
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ 3,597	$ 9,005	$ 310	$ 3,514	$ 2,516	$ -	$ -	$ 18,942
Commercial Real Estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

3. Allowance for Credit Losses (Continued)

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
December 31, 2023									
Residential mortgage									
Pass	$ 9,381	$ 18,713	$ 22,956	$ 23,456	$ 1,090	$ 1,040	$ -	$ -	$ 76,636
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 9,381	$ 18,713	$ 22,956	$ 23,456	$ 1,090	$ 1,040	$ -	$ -	$ 76,636
Residential mortgage									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity									
Pass	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,669	$ -	$ 20,669
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,669	$ -	$ 20,669
Home equity									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer, other									
Pass	$ 406	$ 68	$ 17	$ -	$ -	$ -	$ 597	$ -	$ 1,088
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 406	$ 68	$ 17	$ -	$ -	$ -	$ 597	$ -	$ 1,088
Consumer, other									
Current period gross charge-offs	$ 4	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4

3. Allowance for Credit Losses (Continued)

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status as of December 31, 2024 and 2023 (in thousands):

	December 31, 2024						
	Current	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Loans Receivable	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ 798,906	$ 2,777	$ 252	$ -	$ 3,029	$ 801,935	$ -
Agricultural	457,676	1,240	-	-	1,240	458,916	-
Commercial real estate	17,709	-	-	-	-	17,709	-
Residential mortgage	78,223	374	-	204	578	78,801	-
Home equity	24,251	299	-	-	299	24,550	-
Consumer, other	1,076	-	1	-	1	1,077	-
Total	$ 1,377,841	$ 4,690	$ 253	$ 204	$ 5,147	$ 1,382,988	$ -

	December 31, 2023						
	Current	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Total Loans Receivable	Recorded Investment >90 Days and Accruing
Commercial and industrial	$ 656,508	$ -	$ -	$ -	$ -	$ 656,508	$ -
Agricultural	411,026	-	-	-	-	411,026	-
Commercial real estate	18,942	-	-	-	-	18,942	-
Residential mortgage	76,636	-	-	-	-	76,636	-
Home equity	20,494	175	-	-	175	20,669	-
Consumer, other	1,088	-	-	-	-	1,088	-
Total	$ 1,184,694	$ 175	$ -	$ -	$ 175	$ 1,184,869	$ -

3. Allowance for Credit Losses (Continued)

The following tables include the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing interest as of December 31, 2024 and 2023 (in thousands), in accordance with ASC 326:

December 31, 2024	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due over 90 Days and Accruing Interest	Total
Commercial and industrial	$ -	$ -	$ -	$ -	$ -
Agricultural	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Residential mortgage	204	-	204	-	204
Home equity	-	-	-	-	-
Consumer, other	-	-	-	-	-
Total	$ 204	$ -	$ 204	$ -	$ 204

December 31, 2023	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due over 90 Days and Accruing Interest	Total
Commercial and industrial	$ -	$ -	$ -	$ -	$ -
Agricultural	174	-	174	-	174
Commercial real estate	-	-	-	-	-
Residential mortgage	-	-	-	-	-
Home equity	-	-	-	-	-
Consumer, other	-	-	-	-	-
Total	$ 174	$ -	$ 174	$ -	$ 174

Non-accrual loans are collateral dependent and secured by real estate as of December 31, 2024 and 2023.

Loans Modified to Borrowers Experiencing Financial Difficulty

The Corporation may grant a modification to borrowers in financial distress by providing a temporary reduction in interest rate, or an extension of a loan's stated maturity date. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

The Corporation identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future. There was one loan modification to a borrower experiencing financial difficulty during the year ended December 31, 2024, which was 59 days past due. The outstanding balance on this refinanced residential mortgage loan was $191,000 as of December 31, 2024.

There were no modifications of loans to borrowers experiencing financial difficulty during the year ended December 31, 2023.

4. Premises and Equipment

The components of premises and equipment at December 31, 2024 and 2023, are as follows (in thousands):

	Estimated Useful Lives	2024	2023
Leasehold improvements	15	$ 2,509	$ 2,460
Finance lease right of use assets	3-20	6,733	6,733
Furniture, fixtures, and equipment	3-10	5,730	5,217
Fixed asset suspense		326	213
		15,298	14,623
Less accumulated depreciation and amortization		(5,587)	(4,166)
Total		$ 9,711	$ 10,457

Depreciation expense charged to operations amounted to $1,421,000 and $1,323,000 for the years ended December 31, 2024 and 2023, respectively.

5. Deposits

The components of deposits at December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Demand, noninterest-bearing	$ 117,235	$ 102,031
Demand, interest-bearing	126,192	116,630
Savings deposits	345,354	284,766
Money market accounts	141,773	138,121
Time deposits over $250,000	134,200	93,463
Other time deposits	463,228	354,372
	$ 1,327,982	$ 1,089,383

At December 31, 2024, the scheduled maturities of time deposits are as follows (in thousands):

Years ending December 31:	
2025	$ 534,729
2026	52,839
2027	9,115
2028	745
Total	$ 597,428

The Corporation had brokered deposits of $12,722,000 and $35,125,000 as of December 31, 2024 and December 31, 2023, respectively.

6. Borrowings

Short-term debt was as follows:

All short-term borrowings consist of fixed rate advances from the Federal Home Loan Bank (FHLB) Short-term borrowings of $0 were outstanding as of December 31, 2024. Short-term borrowings of $10,000,000, with a weighted average rate of 5.60%, were outstanding as of December 31, 2023 and matured in January 2024.

Long-term debt was as follows:

All long-term borrowings consist of fixed rate advances from the FHLB as of December 31, 2024 and December 31, 2023. The following table presents a summary of long-term debt as of December 31, 2024 and December 31, 2023 (in thousands).

Year ending December 31, 2024:			Year ending December 31, 2023:		
Maturity Year	Amount	Weighted Average Rate	Maturity Year	Amount	Weighted Average Rate
2025	$ 73,000	3.09 %	2024	$ 20,000	2.46 %
2026	25,000	4.72	2025	73,000	3.09
2027	-	-	2026	15,000	4.38
Total	$ 98,000	3.51 %		$ 108,000	3.15 %

The Corporation has borrowing capacity with the FHLB of approximately $631,000,000, of which $98,000,000 of borrowings and $240,000 of letters of credit were outstanding as of December 31, 2024. Advances from the FHLB are secured by a blanket lien on qualified collateral, defined principally as mortgage loans, which are owned by the Corporation free and clear of any liens or encumbrances.

The Corporation has the following unsecured federal funds' lines of credit with the following correspondent financial institutions:

- $3,500,000 with Atlantic Community Bankers Bank
- $20,000,000 with Pacific Coast Bankers' Bank
- $6,500,000 with Zions Bank.

Borrowings on each line of credit at December 31, 2024 and 2023 were $0.

The Corporation also has access to borrowings from the Federal Reserve Bank Discount Window of $4,402,000 as of December 31, 2024. All borrowings through this facility are secured by a specific pledge of loans. There were no borrowings outstanding under this facility at December 31, 2024 and 2023.

7. Income Taxes

The provision for income taxes consists of (in thousands):

	2024	2023
Current	$ 3,123	$ 2,585
Deferred	(707)	(190)
Income taxes	$ 2,416	$ 2,395

The components of the net deferred liabilities as of December 31, 2024 and 2023, are as follows (in thousands):

	2024	2023
Deferred tax assets:		
Organizational costs	$ 48	$ 49
Deferred Comp	703	468
Allowance for credit losses	1,716	1,478
Leases	147	111
Accrued bonus	247	157
Other	20	20
Total deferred tax assets	2,881	2,283
Deferred tax liabilities:		
Depreciation	798	833
Loan origination costs	1,080	978
Prepaid expenses	135	122
Other	561	750
Total deferred tax liabilities	2,574	2,683
Net deferred tax assets/(liabilities)	$ 307	$ (400)

In assessing the realizability of deferred tax assets (liabilities) at December 31, 2024, management considers whether it is more likely than not that some portion or all of the deferred tax assets (liabilities) will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and prudent, feasible, and permissible, as well as available, tax planning strategies in making this assessment.

Income tax as reported differs from the amount computed by applying the statutory federal income tax rate to income before taxes. A reconciliation of the differences by amount and percentage is as follows (in thousands):

	For the Years Ended December 31,			
	2024		2023	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 2,208	21.0 %	$ 2,117	21.0 %
Effect of permanent items	(215)	(2.1)	(119)	(1.1)
Current state tax	423	4.0	397	3.9
Actual tax expense and effective rate	$ 2,416	22.9 %	$ 2,395	23.8 %

8. Employee Benefit Plans

401(k) Retirement Plan

The Corporation established a 401(k) Plan (the "Plan") that covers employees who meet the eligibility requirements of having worked 1,000 hours in a Plan year. Participants are permitted to contribute up to the maximum percentage allowable by law of their compensation to the Plan. The Corporation elected to make a 4.0 percent non-elective contribution for all employees as part of its Safe Harbor Plan effective January 1, 2024. Prior to 2024, the Bank had elected to make 4.0 percent matching contribution for all employees' contributions up to 5.0 percent as part of its Safe Harbor Plan. These contributions vest immediately. The Corporation's contribution to the Plan for the years ended December 31, 2024 and 2023, was $525,000 and $396,000, respectively.

Supplemental Executive Retirement Plan

The Corporation maintains deferred compensation agreements with certain members of executive management, which provide benefits payable beginning at age 65, or upon subsequent retirement from the Corporation, or if the executive(s) becomes totally disabled. Under certain circumstances, benefits are payable to designated beneficiaries. The present value of the estimated liability under the agreement is being accrued using a discount rate of 4.0 percent ratably over the remaining years to the date when the executives are first eligible for benefits. The deferred compensation charged to expense totaled $1,121,000 and $1,154,000 for the years ended December 31, 2024 and 2023, respectively. The benefit obligation associated with the Supplemental Plan was $3,348,000 and $2,227,000 at December 31, 2024 and 2023, respectively.

9. Leases

The Corporation accounts for leases using ASC Topic 842, *Leases,* which requires it to recognize on the consolidated balance sheet the assets and liabilities that arise from leases. The Corporation has three finance leases. Two leases consist of real estate property, and one relates to information technology equipment. Various operating leases are all comprised of real estate property. The finance lease agreements consist of initial lease terms ranging between 3 and 20 years, with options to renew leases or extend the terms. The real estate property finance leases have remaining lease terms ranging from 11.5 years to 18.9 years, and the equipment finance lease expired as of December 31, 2024. The payment structure of all leases is fixed rental payments with lease payments increasing on predetermined dates at either a predetermined amount or change in the consumer price index.

In accordance with ASC 842, the Corporation recognized operating and financing lease assets and corresponding lease liabilities related to office facilities, certain equipment, and retail branches. The operating and financing lease assets represent the Corporation's right to use an underlying asset for the lease term, and the lease liability represents the Corporation's obligation to make lease payments over the lease term. The Corporation has elected that any short-term leases would be expensed as incurred.

The operating and financing lease assets and lease liabilities are determined at the commencement date of the lease based on the present value of the lease payments. The Corporation's leases do not provide an implicit interest rate; therefore, the Corporation used its incremental borrowing rate, the rate of interest to borrow on a collateralized basis for a similar term, at the lease commencement date.

Each of the leases are net leases and therefore, do not contain non-lease components. The Corporation either pays a third party directly or reimburses the lessor for property and casualty insurance costs and the property taxes assessed on the property, as well as a portion of the common-area maintenance associated with the property which are categorized as non-components as outlined in the applicable guidance.

9. Leases (Continued)

The following quantitative data relates to the Corporation's leases (in thousands):

	2024	2023
Finance Lease Amounts:		
Right of use (ROU) assets	$ 5,068	$ 5,602
Lease liability	$ 5,677	$ 6,069
Operating Lease Amounts:		
ROU assets	$ 3,054	$ 3,336
Lease liabilities	$ 3,145	$ 3,398
Finance Lease Cost		
Amortization of ROU asset	$ 534	$ 481
Interest on lease liability	$ 300	$ 259
Operating Lease Costs	$ 410	$ 409
Cash paid for amounts in the measurement of lease liabilities		
Finance leases	$ 692	$ 586
Operating leases	$ 381	$ 377
Weighted-average remaining lease term (in years)		
Finance leases	12.9	13.4
Operating leases	9.4	10.4
Weighted-average discount rate:		
Finance leases	5.14%	4.99%
Operating leases	2.58%	2.56%

	Operating Leases	Finance Leases
Years ended December 31:		
2025	$ 395	$ 563
2026	393	584
2027	415	606
2028	403	607
2029	332	608
Thereafter	1,660	4,891
Total lease payments	3,598	7,859
Impact of present value discount	(453)	(2,182)
Lease liability	$ 3,145	$ 5,677

10. Employment Agreements

The Corporation has employment agreements with its chief executive officer and chief lending officer. The agreements include minimum annual salary commitments and change of control provisions. The change in control provisions in these agreements provide that upon termination or resignation after a change in the control of the Corporation, as defined in the agreement, the individuals will receive monetary compensation in the amount set forth in the agreement.

11. Transactions with Executive Officers, Directors, and Principal Shareholders

The Corporation has had, and may be expected to have in the future, banking transactions in the ordinary course of business with its executive officers, directors, principal shareholders, their immediate families, and affiliated companies (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans receivable from related parties totaled $4,268,000 and $3,298,000 at December 31, 2024 and 2023, respectively. During 2024 and 2023, new loans and advances to such related parties totaled $2,577,000 and $1,755,000 and repayments aggregated $1,614,000 and $460,000, respectively. Deposits of related parties totaled $9,916,000 and $9,754,000 at December 31, 2024 and 2023, respectively. Professional services provided by related parties during 2024 totaled $303,000. A member of the Board, who retired at the end of 2023, provided business development services to the Corporation during 2023 that totaled approximately $5,000.

The Corporation leased three branches and its operations' offices from three separate related parties, as described in Note 9. Rent expense for those properties during the years ended December 31, 2024 and 2023, was $317,000 and $229,000, respectively.

12. Financial Instruments with Off-Balance-Sheet Risk

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments.

The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

A summary of the Corporation's financial instrument commitments at December 31, 2024 and 2023, is as follows (in thousands):

	Contract Amount December 31,	
	2024	2023
Commitments to extend credit	$ 293,342	$ 266,860
Letters of credit	13,991	12,382

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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of

12. Financial Instruments with Off-Balance-Sheet Risk (Continued)

a fee. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include personal or commercial real estate, accounts receivable, inventory, and equipment.

Outstanding letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next 12 months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Corporation requires collateral supporting these letters of credit as deemed necessary. The current amount of the liability as of December 31, 2024 and 2023, for guarantees under standby and commercial letters of credit issued is not material.

13. Contingent Liabilities

The Corporation is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Corporation defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

14. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements.

Information presented for December 31, 2024 and 2023 reflects the Basel III capital requirements that are effective for the Bank. Under these capital requirements and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk-weightings, and other factors.

The consolidated asset limit on small bank holding companies is $3 billion and a company with assets under that limit is not subject to the consolidated capital rules but may disclose capital amounts and ratios. The Corporation has elected to disclose those amounts and ratios.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of total, Tier 1, and common equity Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets.

The Bank is under additional regulatory requirements in order to maintain federal deposit insurance. Management believes, as of December 31, 2024 and 2023, that the Bank meets all capital adequacy requirements to which it is subject.

14. Regulatory Matters (Continued)

A comparison of the Corporation's and Bank's actual capital amounts and ratios is presented in the December 31, 2024 table below (in thousands), and the Bank's actual capital amounts and ratios are solely presented in the December 31, 2023 table, prior to formation of the Corporation (in thousands):

	Actual		For Capital Adequacy Purposes with Capital Conservative Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Total capital (to risk-weighted assets)						
GELT Bancorp, Inc.	$ 155,452	11.35 %	$ 143,787	10.50 %	$ N/A	N/A
Bank of Bird-in-Hand	155,196	11.34 %	143,760	10.50 %	136,914	10.00 %
Tier 1 capital (to risk-weighted assets)						
GELT Bancorp, Inc.	147,224	10.75 %	116,399	8.50 %	N/A	N/A
Bank of Bird-in-Hand	146,968	10.73 %	116,377	8.50 %	109,531	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)						
GELT Bancorp, Inc.	147,224	10.75 %	95,858	7.00 %	N/A	N/A
Bank of Bird-in-Hand	146,968	10.73 %	95,840	7.00 %	88,994	6.50 %
Tier 1 capital (to average assets)						
GELT Bancorp, Inc.	147,224	9.88 %	59,605	4.00 %	N/A	N/A
Bank of Bird-in-Hand	146,968	9.86 %	59,594	4.00 %	74,493	5.00 %

	Actual		For Capital Adequacy Purposes with Capital Conservative Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Total capital (to risk-weighted assets)	$ 148,344	12.37 %	$ 125,932	10.50 %	$ 119,936	10.00 %
Tier 1 capital (to risk-weighted assets)	141,253	11.78 %	101,945	8.50 %	95,948	8.00 %
Common equity Tier 1 capital (to risk-weighted assets)	141,253	11.78 %	83,955	7.00 %	77,958	6.50 %
Tier 1 capital (to average assets)	141,253	10.77 %	52,447	4.00 %	65,558	5.00 %

The risk-based capital rules require that banks maintain a capital conservation buffer of 250 basis points in excess of the minimum capital ratio. The minimum capital ratio is equal to the prompt corrective action adequately capitalized threshold ratio. Failure to maintain the required capital conservation buffer will result in limitations on capital distributions and on discretionary bonuses to executive officers.

15. Shareholders' Equity

Restricted Stock Awards

As part of the Bank of Bird-in-Hand Omnibus Stock Incentive Plan the Board of Directors awarded restricted stock awards (RSAs) to eight directors of the Board of the Bank on March 27, 2024. Shares immediately vested at 100% for one retired director. Each RSA represents a contingent right to receive one share of common stock. For the remaining seven directors, the RSAs vest at a rate of 33 1/3% on each annual anniversary date from the date of grant. The product of the number of RSAs granted and the grant date market price of the common stock underlying the RSA determines the fair value of the RSA, which is expensed monthly over the vesting period. During the year ended December 31, 2024 the Corporation recorded $27,000 of stock-based compensation expense. Expected future compensation expense relating to the RSAs is $53,000 over the remaining vesting period.

The following is a summary of the status of the Corporation's nonvested RSAs as of December 31, 2024, and changes therein for the year then ended.

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2023	-	$ -
Granted	2,736	29.00
Vested	941	29.00
Forfeited	-	-
Nonvested at December 31, 2024	1,795	$ 29.00

Stock Offering

In 2023, the Bank sold 695,403 shares of common stock at $28 per share, which resulted in net proceeds of approximately $19,255,000, after offering costs of approximately $216,000.

Common Stock Cash Dividend

On December 18, 2024, the Corporation declared a cash dividend of $0.27 per share, totaling $2,155,000 to shareholders of record as of January 13, 2025, and payable on March 3, 2025. On June 21, 2023, the Bank declared a cash dividend of $0.27 per share to shareholders of record as of August 11, 2023, and payable on September 5, 2023.

Stock Warrants

The Bank issued stock purchase warrants in connection with its initial stock offering, giving certain organizers and directors the right to purchase shares of common stock at the initial offering price of $10 per share. The offering price was adjusted to $8 per share for a five-for-four stock split, effected in the form of a 25 percent stock dividend paid July 31, 2018. For organizers, the warrants serve as a reward and compensation for bearing the financial risk of the Bank's organization by advancing "seed money" for its organizational and pre-opening expenses. For the initial directors, the warrants serve as an incentive for them to build the Bank's business.

15. Shareholders' Equity (Continued)

The organizers' warrants were exercisable for a period of ten years from the date of grant of November 29, 2013, and were transferable in accordance with the warrant agreement. The initial directors' warrants were exercisable for a period of ten years from the date of grant of November 29, 2013, are nontransferable, except upon the holder's death, and were subject to a three-year vesting schedule. Under a three-year vesting schedule, the holder of an initial director warrant was able to exercise his warrant for one-third of the shares under the warrant after the first anniversary of the grant date, two-thirds of the shares after the second anniversary, and, finally, all of the shares after the third anniversary. The initial directors' warrants terminated within 30 days of the termination of the warrant holder's service as a director of the Bank.

Both the organizers' warrants, and the initial directors' warrants, were subject to a forfeiture clause, which the FDIC or the Pennsylvania Department of Banking and Securities may invoke if the Bank's capital falls below minimum requirements and required the warrant holders to exercise the warrants immediately or forfeit all rights under the warrants. These shares may be issued from previously authorized but unissued shares of stock.

During 2023, organizers and directors exercised 23,125 warrants at the price of $8 per share.

The fair value of these shares using the Black-Scholes model was zero, based on the fair value for the stock on the date of grant. Accordingly, no compensation expense was recognized on these warrants.

A summary of the Bank's stock warrant activity for the year ended December 31, 2023 follows:

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding, December 31, 2022	23,125	$ 8.00
Granted	-	-
Expired/terminated	-	-
Exercised	23,125	8.00
Outstanding, December 31, 2023	-	$ -
Exercisable at year-end	-	$ -

As of December 31, 2023, all granted warrants were exercised, with none remaining unexercised.

16. Subsequent Events

The Corporation has evaluated events and transactions occurring subsequent to the balance sheet as of December 31, 2024, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 27, 2025, the date these financial statements were available to be issued.