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

FORM 10-Q

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

For the Quarterly period ended September 30, 2024

OR

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

Commission file number 0-24047

GLEN BURNIE BANCORP
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**52-1782444** (I.R.S. Employer Identification No.)
101 Crain Highway, S.E. **Glen Burnie, Maryland** (Address of principal executive offices)	**21061** (Zip Code)

Registrant's telephone number, including area code: **(410) 766-3300**

Inapplicable
(Former name, former address and former fiscal year if changed from last report.)

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging growth company	☐

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $1.00 per share	GLBZ	The NASDAQ Stock Market LLC

The number of shares of the registrant's common stock outstanding as of November 5, 2024, was 2,900,681.

GLEN BURNIE BANCORP AND SUBSIDIARY
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GLEN BURNIE BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	September 30, 2024 (unaudited)	December 31, 2023 (audited)
ASSETS		
Cash and due from banks	$ 2,255	$ 1,940
Interest-bearing deposits in other financial institutions	20,207	13,301
Cash and Cash Equivalents	22,462	15,241
Investment securities available for sale, at fair value	119,958	139,427
Restricted equity securities, at cost	246	1,217
Loans, net of deferred fees and costs	206,975	176,307
Less: Allowance for credit losses	(2,748)	(2,157)
Loans, net	204,227	174,150
Premises and equipment, net	2,723	3,046
Bank owned life insurance	8,789	8,657
Deferred tax assets, net	6,879	7,897
Accrued interest receivable	1,478	1,192
Accrued taxes receivable	497	121
Prepaid expenses	486	475
Other assets	614	390
Total Assets	**$ 368,359**	**$ 351,813**
LIABILITIES		
Noninterest-bearing deposits	$ 115,938	$ 116,922
Interest-bearing deposits	198,335	183,145
Total Deposits	314,273	300,067
Short-term borrowings	30,000	30,000
Defined pension liability	329	324
Accrued expenses and other liabilities	2,597	2,097
Total Liabilities	347,199	332,488
STOCKHOLDERS' EQUITY		
Common stock, par value $1, authorized 15,000,000 shares, issued and outstanding 2,900,681 and 2,882,627 shares as of September 30, 2024 and December 31, 2023, respectively.	2,901	2,883
Additional paid-in capital	11,037	10,964
Retained earnings	22,921	23,859
Accumulated other comprehensive loss	(15,699)	(18,381)
Total Stockholders' Equity	21,160	19,325
Total Liabilities and Stockholders' Equity	**$ 368,359**	**$ 351,813**

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
INTEREST INCOME				
Interest and fees on loans	$ 2,908	$ 2,145	$ 7,648	$ 6,368
Interest and dividends on securities	814	1,101	2,605	3,065
Interest on deposits with banks and federal funds sold	237	104	1,004	469
Total Interest Income	3,959	3,350	11,257	9,902
INTEREST EXPENSE				
Interest on deposits	730	116	1,716	337
Interest on short-term borrowings	408	282	1,363	320
Total Interest Expense	1,138	398	3,079	657
Net Interest Income	2,821	2,952	8,178	9,245
Provision (release) of credit loss allowance	78	(92)	773	(7)
Net interest income after credit loss provision	2,743	3,044	7,405	9,252
NONINTEREST INCOME				
Service charges on deposit accounts	36	40	109	120
Other fees and commissions	273	233	584	560
Income on life insurance	45	42	132	120
Total Noninterest Income	354	315	825	800
NONINTEREST EXPENSE				
Salary and benefits	1,654	1,691	4,872	5,089
Occupancy and equipment expenses	327	329	996	955
Legal, accounting and other professional fees	267	194	769	692
Data processing and item processing services	263	206	755	755
FDIC insurance costs	41	40	119	122
Advertising and marketing related expenses	40	26	88	72
Loan collection costs	5	10	11	13
Telephone costs	41	38	110	113
Other expenses	380	287	1,052	880
Total Noninterest Expenses	3,018	2,821	8,772	8,691
Income (loss) before income taxes	79	538	(542)	1,361
Income tax (benefit) expense	(50)	(13)	(470)	99
NET INCOME (LOSS)	**$ 129**	**$ 551**	**$ (72)**	**$ 1,262**
Basic and diluted net income (loss) per share of common stock	**$ 0.04**	**$ 0.19**	**$ (0.02)**	**$ 0.44**

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(dollars in thousands)
(unaudited)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net income (loss)	**$ 129**	$ 551	**$ (72)**	$ 1,262
Other comprehensive income (loss):				
Net unrealized income (loss) on securities available for sale:				
Net unrealized income (loss) on securities during the period	5,269	(6,060)	3,701	(4,668)
Income tax (expense) benefit relating to item above	(1,450)	1,668	(1,019)	1,284
Net effect on other comprehensive income (loss)	3,819	(4,392)	2,682	(3,384)
Other comprehensive income (loss)	3,819	(4,392)	2,682	(3,384)
Comprehensive income (loss)	**$ 3,948**	$ (3,841)	**$ 2,610**	$ (2,122)

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(dollars in thousands)
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance, December 31, 2022	**$ 2,865**	**$ 10,862**	**$ 23,579**	**$ (21,252)**	**$ 16,054**
Net income	—	—	1,262	—	1,262
Cash dividends, $0.30 per share	—	—	(861)	—	(861)
Dividends reinvested under dividend reinvestment plan	12	78	—	—	90
Other comprehensive loss	—	—	—	(3,384)	(3,384)
Balance, September 30, 2023	**$ 2,877**	**$ 10,940**	**$ 23,980**	**$ (24,636)**	**$ 13,161**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2023	**$ 2,883**	**$ 10,964**	**$ 23,859**	**$ (18,381)**	**$ 19,325**
Net loss	—	—	(72)	—	(72)
Cash dividends, $0.30 per share	—	—	(866)	—	(866)
Dividends reinvested under dividend reinvestment plan	18	73	—	—	91
Other comprehensive income	—	—	—	2,682	2,682
Balance, September 30, 2024	**$ 2,901**	**$ 11,037**	**$ 22,921**	**$ (15,699)**	**$ 21,160**

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net (loss) income	$ (72)	$ 1,262
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	244	120
Amortization, and accretion of investment securities available for sale	127	(23)
Provision (release) for credit losses	773	(7)
Increase in cash surrender value of bank owned life insurance	(132)	(121)
Decrease in ground rents	6	—
Increase in accrued interest receivable	(287)	(214)
Net increase in other assets	(520)	(224)
Net increase in accrued expenses and other liabilities	617	35
Net cash provided by operating activities	756	828
Cash flows from investing activities:		
Redemptions and maturities of investment securities available for sale	23,043	6,530
Purchases of investment securities available for sale	—	(9,747)
Net sale (purchase) of Federal Home Loan Bank stock	971	(758)
Net (increase) decrease in loans	(30,849)	11,583
Purchases of premises and equipment	(131)	(128)
Net cash (used in) / provided by investing activities	(6,966)	7,480
Cash flows from financing activities:		
Net increase (decrease) in deposits	14,206	(48,107)
Increase in short term borrowings	—	25,000
Cash dividends paid	(866)	(861)
Common stock dividends reinvested	91	90
Net cash provided by / (used in) financing activities	13,431	(23,878)
Net increase (decrease) in cash and cash equivalents	7,221	(15,570)
Cash and cash equivalents at beginning of period	15,241	30,092
Cash and cash equivalents at end of period	$ 22,462	$ 14,522
Supplemental Disclosures of Cash Flow Information:		
Interest paid on deposits and borrowings	$ 2,169	$ 589
Net income taxes (refunded) paid	(104)	436
Net decrease (increase) in unrealized depreciation on available for sale securities	3,701	(4,668)

See accompanying notes to unaudited consolidated financial statements.

GLEN BURNIE BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATIONAL

Nature of Business

Glen Burnie Bancorp (the "Company") is a bank holding company organized in 1990 under the laws of the State of Maryland. The Company owns all the outstanding shares of capital stock of The Bank of Glen Burnie (the "Bank"), a commercial bank organized in 1949 under the laws of the State of Maryland (the "State"). The Bank provides financial services to individuals and corporate customers located in Anne Arundel County and surrounding areas of Central Maryland and is subject to competition from other financial institutions. The Bank is also subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

NOTE 2 – BASIS OF PRESENTATION

In management's opinion, the accompanying unaudited consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim period reporting, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position at September 30, 2024 and December 31, 2023, the results of operations for the three- and nine-month periods ended September 30, 2024 and 2023, and the statements of cash flows for the nine-month periods ended September 30, 2024 and 2023. The operating results for the three- and nine-month periods ended September 30, 2024, are not necessarily indicative of the results that may be expected for the full year ended December 31, 2024, or any future interim period. The consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (the "SEC") on March 22, 2024. The unaudited consolidated financial statements for September 30, 2024 and 2023, the consolidated balance sheet at December 31, 2023, and accompanying notes should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes thereto that are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Summary of Significant Accounting Policies

The significant accounting policies used in preparation of the Company's consolidated financial statements are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2023. There have not been any significant changes in the Company's significant accounting policies.

Allowance for Credit Losses – Loans Receivable

The Company applies ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326"), such that the allowance calculation is based on the current expected credit loss ("CECL") methodology. The Company maintains an allowance for credit losses ("ACL") for the expected credit losses of the loan portfolio as well as unfunded loan commitments. The amount of ACL is based on ongoing, quarterly assessments by management. The CECL methodology requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures) and replaces the incurred loss methodology's threshold that delayed the recognition of a credit loss until it was probable that a loss event was incurred.

The ACL consists of the allowance for credit losses and the reserve for unfunded commitments. The estimate of expected credit losses under the CECL methodology is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. We then consider whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period that historical experience was based on for each loan type. Finally, we consider forecasts about future economic conditions or changes in collateral values that are reasonable and supportable.

Portfolio segment is defined as the level at which the Company develops and documents a systematic methodology to determine its ACL. The Company has designated three loan portfolio segments: loans secured by real estate, commercial and industrial loans, and consumer loans. These loan portfolio segments are further disaggregated into classes, which represent loans of similar type, risk characteristics, and methods for monitoring and assessing credit risk. The loans secured by the real estate portfolio segment is disaggregated into five classes: construction and land, farmland, single-family residential, multi-family, and commercial. The commercial and industrial loan portfolio segment is disaggregated into two classes: commercial and industrial, and SBA guaranty. The risk of loss for the commercial and industrial loan portfolio segment is generally most indicated by the credit risk rating assigned to each borrower. Commercial and industrial loan risk ratings are determined by experienced senior credit officers based on specific facts and circumstances and are subject to periodic review by an independent internal team of credit specialists. The consumer loan portfolio segment is disaggregated into two classes: consumer and automobile. The risk of loss for the consumer loan portfolio segment is generally most indicated by delinquency status and general economic factors. Each of the three loan portfolio segments may also be further segmented based on risk characteristics.

For most of our loan portfolio classes, the historical loss experience is determined using the Average Charge-Off Method. This method pools loans into groups ("cohorts") sharing similar risk characteristics and tracks each cohort's net charge-offs over the lives of the loans. The Average Charge-Off Method uses historical values by period (20-year look-back) to calculate losses and then applies the historical average to future balances over the life of the account. The historical loss rates for each cohort are then averaged to calculate an overall historical loss rate which is applied to the current loan balance to arrive at the quantitative baseline portion of the allowance for credit losses for the respective loan portfolio class. For certain loan portfolio classes, the Company determined there was not sufficient historical loss information to calculate a meaningful historical loss rate using the average charge-off methodology. For any such loan portfolio class, peer group history contributes to the Company's weighted average loss history. The peer group data is included in the weighted average loss history that is developed for each loan pool.

The Company also considers qualitative adjustments to the historical loss rate for each loan portfolio class. The qualitative adjustments for each loan class consider the conditions over the 20-year look-back period from which historical loss experience was based and are split into two components: 1) asset or class specific risk characteristics or current conditions at the reporting date related to portfolio credit quality, remaining payments, volume and nature, credit culture and management, business environment or other management factors; and 2) reasonable and supportable forecasts of future economic conditions and collateral values.

The Company performs a quarterly asset quality review which includes a review of forecasted gross charge-offs and recoveries, nonperforming assets, criticized loans, risk rating migration, delinquencies, etc. The asset quality review is performed by management and the results are used to consider a qualitative overlay to the quantitative baseline.

When management deems it to be appropriate, the Company establishes a specific reserve for individually evaluated loans that do not share similar risk characteristics with the loans included in each respective loan pool. These individually evaluated loans are removed from their respective pools and typically represent collateral dependent loans but may also include other non-performing loans or restructured loans to borrowers experiencing financial difficulty.

Allowance for Credit Losses – Held-to-Maturity Debt Securities

For held-to-maturity ("HTM") debt securities, the Company is required to utilize a CECL methodology to estimate expected credit losses. The Company does not own any HTM debt securities. Therefore, the Company did not record an allowance for credit losses for these types of securities.

Allowance for Credit Losses – Available for Sale Debt Securities

The impairment model for available for sale ("AFS") debt securities differs from the CECL methodology applied for HTM debt securities because AFS debt securities are measured at fair value rather than amortized cost. Although ASC 326 replaced the legacy other-than-temporary impairment ("OTTI") model with a credit loss model, it retained the fundamental nature of the legacy OTTI model. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities where neither of the criteria are met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Under the new guidance, an entity may no longer consider the length of time fair value has been less than amortized cost. Changes in the allowance for credit losses are recorded as a provision (or release) for credit losses. Losses are charged against the allowance when management believes the collectability of an AFS security is considered below the amortized cost basis of the security. As of December 31, 2023 and September 30, 2024, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

Off-Balance-Sheet Credit Exposures

The only material off-balance-sheet credit exposures are unfunded loan commitments, which had a combined balance of $31.6 million on September 30, 2024. The reserve for unfunded commitments is recognized as a liability (accrued expenses and other liabilities in the consolidated statements of financial condition), with adjustments to the reserve recognized through provision for credit losses in the consolidated statements of income. The reserve for unfunded commitments represents the expected lifetime credit losses on off-balance sheet obligations such as commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments that are unconditionally cancellable by the Company. The reserve for unfunded commitments is determined by estimating future draws, including the effects of risk mitigation actions, and applying the expected loss rates on those draws. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses related to the respective loan portfolio class.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, The Bank of Glen Burnie. Consolidation resulted in the elimination of all intercompany accounts and transactions.

Cash Flow Presentation

In the statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, Federal Home Loan Bank of Atlanta ("FHLB Atlanta") overnight deposits, and federal funds sold. Generally, federal funds are sold for one-day periods.

Reclassifications

Certain items in the fiscal year 2023 consolidated financial statements have been reclassified to conform to the fiscal year 2024 classifications. The reclassifications had no effect on previously reported results of operations or retained earnings.

Use of Estimates

The preparation of financial statements 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. Actual results could differ materially from those estimates. Material estimates that are particularly susceptible to significant change in the near term include the determination of the ACL; the fair value of financial instruments, such as loans and investment securities; benefit plan obligations and expenses; and the valuation of deferred tax assets and liabilities.

NOTE 3 – EARNINGS PER SHARE

Basic earnings per common share ("EPS") is computed by dividing net income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average common shares outstanding, plus the effect of common stock equivalents (for example, stock options computed using the treasury stock method).

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Basic and diluted earnings per share:				
Net income (loss)	$ 129,191	$ 551,441	$ (72,131)	$ 1,261,822
Weighted average common shares outstanding	2,897,929	2,875,329	2,891,585	2,869,631
Basic and dilutive net income (loss) per share	$ 0.04	$ 0.19	$ (0.02)	$ 0.44

Diluted earnings per share calculations were not required for the three- and nine-month periods ended September 30, 2024 and 2023, as there were no stock options outstanding.

NOTE 4 – INVESTMENT SECURITIES

Investment securities are accounted for according to their purpose and holding period. Trading securities are those that are bought and held principally for the purpose of selling them in the near term. The Company held no trading securities at September 30, 2024 or December 31, 2023. Available for sale investment securities, comprised of debt and mortgage-backed securities, are those that may be sold before maturity due to changes in the Company's interest rate risk profile or funding needs, and are reported at fair value with unrealized gains and losses, net of taxes, reported as a component of other comprehensive income. Held-to-maturity investment securities are those that management has the positive intent and ability to hold to maturity and are reported at amortized cost. The Company had no held-to-maturity securities at September 30, 2024 or December 31, 2023.

Realized gains and losses are recorded in noninterest income and are determined on a trade date basis using the specific identification method. Interest and dividends on investment securities are recognized in interest income on an accrual basis. Premiums and discounts are amortized or accreted into interest income using the interest method over the expected lives of the individual securities.

The following table summarizes the amortized cost and estimated fair value of the Company's investment securities portfolio at September 30, 2024 and December 31, 2023:

	At September 30, 2024			
(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Collateralized mortgage obligations	$ 14,745	$ 18	$ (2,065)	$ 12,698
Agency mortgage-backed securities	46,085	—	(4,419)	41,666
Municipal securities	42,913	5	(8,459)	34,459
U.S. Government agency securities	36,375	—	(6,583)	29,792
Corporate Securities	1,500	—	(157)	1,343
Total securities available for sale	$ 141,618	$ 23	$ (21,683)	$ 119,958

(dollars in thousands)	At December 31, 2023 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	$ 15,962	$ 8	$ (2,309)	$ 13,661
Agency mortgage-backed securities	51,930	—	(5,816)	46,114
Municipal securities	42,990	4	(9,265)	33,729
U.S. Government agency securities	45,406	—	(7,712)	37,694
Corporate Securities	1,500	—	(216)	1,284
U.S. Treasury securities	6,999	—	(54)	6,945
Total securities available for sale	$ 164,787	$ 12	$ (25,372)	$ 139,427

The gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2024 and December 31, 2023 are as follows:

September 30, 2024	Less than 12 months		12 months or more		Total	
Securities available for sale:	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(dollars in thousands)			
Collateralized mortgage obligations	$ —	$ —	$ 10,034	$ (2,065)	$ 10,034	$ (2,065)
Agency mortgage-backed securities	67	—	41,599	(4,419)	41,666	(4,419)
Municipal securities	—		32,319	(8,459)	32,319	(8,459)
U.S. Government agency securities	—	—	29,792	(6,583)	29,792	(6,583)
Corporate Securities	—	—	1,343	(157)	1,343	(157)
	$ 67	$ —	$ 115,087	$ (21,683)	$ 115,154	$ (21,683)

December 31, 2023	Less than 12 months		12 months or more		Total	
Securities available for sale:	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
			(dollars in thousands)			
Collateralized mortgage obligations	$ 492	$ (1)	$ 11,927	$ (2,308)	$ 12,419	$ (2,309)
Agency mortgage-backed securities	5	—	46,109	(5,816)	46,114	(5,816)
Municipal securities	2,978	(39)	28,667	(9,226)	31,645	(9,265)
U.S. Government agency securities	220	(1)	37,474	(7,711)	37,694	(7,712)
Corporate Securities	—	—	1,284	(216)	1,284	(216)
U.S. Treasury securities	—	—	6,944	(54)	6,944	(54)
	$ 3,695	$ (41)	$ 132,405	$ (25,331)	$ 136,100	$ (25,372)

The Company does not believe that the available for sale debt securities that were in an unrealized loss position have any credit loss impairment as of September 30, 2024. As of September 30, 2024, the Company did not intend to sell the investment securities that were in an unrealized loss position. It is more likely than not that the Company will not be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity. Available for sale debt securities issued by U.S. government agencies or U.S. government sponsored enterprises carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Municipal bonds are considered to have issuer(s) of high credit quality (rated A or higher) and the decline in fair value is due to changes in interest rates and other market conditions. Corporate securities are non-rated investments that are booked as a debt security where rating agencies do not provide a rating. The absence of a rating does not imply substandard quality. Non-rated corporate securities may be purchased from issuers operating in and around the Company’s operating footprint. The issuer(s) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.

At September 30, 2024, the Company recorded unrealized losses in its portfolio of debt securities totaling $ 21.7 million related to 227 securities, which resulted from decreases in market value, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to have a credit loss impairment.

At December 31, 2023, the Company recorded unrealized losses in its portfolio of debt securities totaling $ 25.4 million related to 256 securities, which resulted from decreases in market interest rates, spread volatility, and other factors that management deems to be temporary. Management does not believe the securities are impaired due to reasons of credit quality. Since management believes that it is more likely than not that the Company will not be required to sell these securities prior to maturity or a full recovery of the amortized cost, the Company does not consider these securities to have a credit loss impairment.

Shown below are contractual maturities of debt securities at September 30, 2024. Actual maturities may differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	At September 30, 2024		
(dollars in thousands)	**Amortized Cost**	**Fair Value**	**Yield (1), (2)**
Available for sale securities maturing:			
Within one year	$ 6,012	$ 6,001	2.67 %
Over one to five years	5,864	5,494	1.74 %
Over five to ten years	31,937	29,085	2.14 %
Over ten years	97,805	79,378	2.38 %
Total debt securities	$ 141,618	$ 119,958	

(1) Yields are stated as book yields which are adjusted for amortization and accretion of purchase premiums and discounts, respectively.
(2) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

NOTE 5 – LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The fundamental lending business of the Company is based on understanding, measuring, and controlling the credit risk inherent in the loan portfolio. The Company's loan portfolio is subject to varying degrees of credit risk. These risks entail both general risks, which are inherent in the lending process, and risks specific to individual borrowers. The Company's credit risk is mitigated through portfolio diversification, which limits exposure to any single customer, industry, or collateral type.

The Company currently manages its credit products and the respective exposure to credit losses by specific portfolio segments and classes, which are levels at which the Company develops and documents its systematic methodology to determine the allowance for credit losses. The Company believes each portfolio segment has unique risk characteristics. The Company's loans held for investment is divided into three portfolio segments: loans secured by real estate, commercial and industrial loans, and consumer loans. Each of these segments is further divided into loan classes for the purpose of estimating the allowance for credit losses.

The following table is a summary of loans receivable by loan portfolio segment and class.

(dollars in thousands)	September 30, 2024 Amount	%	December 31, 2023 Amount	%
Loans Secured by Real Estate				
Construction and land	$ 7,292	4	$ 4,636	3
Farmland	316	_	325	_
Single-family residential	99,905	48	86,887	50
Multi-family	5,059	2	5,165	3
Commercial	50,200	24	39,217	22
Total loans secured by real estate	162,772		136,230	
Commercial and Industrial				
Commercial and industrial	16,240	8	10,850	6
SBA guaranty	5,759	3	5,924	3
Total commercial and industrial loans	21,999		16,774	
Consumer Loans				
Consumer	3,168	2	2,039	1
Automobile	19,036	9	21,264	12
Total consumer loans	22,204		23,303	
Loans, net of deferred fees and costs	206,975	100	176,307	100
Less: Allowance for credit losses	(2,748)		(2,157)	
Loans, net	$ 204,227		$ 174,150	

The Bank's net loans totaled $204.2 million on September 30, 2024, compared to $ 174.2 million on December 31, 2023, an increase of $30.0 million, or 17.27%. Construction and land loans increased from $4.6 million on December 31, 2023, to $7.3 million on September 30, 2024, an increase of $ 2.7 million, or 57.29%. Farmland loans were $0.3 million at September 30, 2024 and December 31, 2023. Single-family residential loans increased from $86.9 million on December 31, 2023, to $99.9 million on September 30, 2024, an increase of $ 13.0 million, or 14.98%. Multi-family residential loans were $5.1 million on September 30, 2024, and $ 5.2 on December 31, 2023, a decrease of $0.1 million, or 2.05%. Commercial real estate loans increased $11.0 million, or 28.01%, to $50.2 million at September 30, 2024, compared to $39.2 million on December 31, 2023. Commercial and industrial loans increased by $5.4 million, or 49.68%, to $16.2 million on September 30, 2024, compared to $ 10.9 million on December 31, 2023. SBA guaranty loans were $5.8 million on September 30, 2024 and $ 5.9 million on December 31, 2023, a decrease of $0.1 million or 2.79%. Consumer loans increased by $1.1 million, or 55.37% to $3.2 million on September 30, 2024, compared to $ 2.0 million on December 31, 2023. Automobile loans decreased from $21.3 million on December 31, 2023, to $19.0 million on September 30, 2024, a decrease of $2.2 million or 10.48%.

Credit Risk and Allowance for Credit Losses. Credit risk is the risk of loss arising from the inability of a borrower to meet his or her obligations and entails both general risks, which are inherent in the process of lending, and risks specific to individual borrowers. Credit risk is mitigated through portfolio diversification, which limits exposure to any single customer, industry, or collateral type. Residential mortgage and home equity loans and lines generally have the lowest credit loss experience. Loans secured by personal property, such as auto loans, generally experience medium credit losses. Unsecured loan products, such as personal revolving credit, have the highest credit loss experience and for that reason, the Bank has chosen not to engage in a significant amount of this type of lending. Credit risk in commercial lending can vary significantly, as losses as a percentage of outstanding loans can shift widely during economic cycles and are particularly sensitive to changing economic conditions. Generally, improving economic conditions result in improved operating results on the part of commercial customers, enhancing their ability to meet their particular debt service requirements. Improvements, if any, in operating cash flows can be offset by the impact of rising interest rates that may occur during improved economic times. Inconsistent economic conditions may have an adverse effect on the operating results of commercial customers, reducing their ability to meet debt service obligations.

The Company applies ASU 2016-13, Financial Instruments - Credit Losses (“ASC 326”) for estimating credit losses. The CECL model requires the immediate recognition of expected credit losses over the contractual term for financial instruments that fall within the scope of CECL at the date of origination or purchase of the financial instrument. The CECL model, which is applicable to the measurement of credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures, affects the Company’s estimates of the allowance for credit losses for our loan portfolio and the reserve for our off-balance sheet credit exposures related to loan commitments. The allowance for credit losses is established through a provision for credit losses charged to expense. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. The allowance, based on all available information from internal and external sources, relevant to assessing the collectability of loans over their contractual terms, adjusted for expected prepayments when appropriate, is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The evaluations are performed for each class of loans and take into consideration factors such as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, value of collateral securing the loans and current economic conditions and trends that may affect the borrowers’ ability to pay. For example, delinquencies in unsecured loans and indirect automobile installment loans will be reserved for at significantly higher ratios than loans secured by real estate. Finally, the Company considers forecasts about future economic conditions or changes in collateral values that are reasonable and supportable. Based on that analysis, the Bank deems its allowance for credit losses in proportion to the total nonaccrual loans and past due loans to be sufficient.

Transactions in the allowance for credit losses for the nine months ended September 30, 2024 and the year ended December 31, 2023 were as follows:

	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
September 30, 2024 (dollars in thousands)	**Construction and Land**	**Farmland**	**Single-family Residential**	**Multi-family**	**Commercial**	**Commercial and Industrial**	**SBA Guaranty**	**Consumer**	**Automobile**	**Total**
Balance, beginning of year	$ 31	$ 18	$ 1,290	$ 96	$ 190	$ 304	$ 21	$ 30	$ 177	$ 2,157
Charge-offs	—	—	—	—	—	(299)	—	(18)	(54)	(371)
Recoveries	—	—	—	—	—	—	—	132	57	189
(Release) provision for credit losses	2	(2)	259	133	187	277	16	(93)	(6)	773
Balance, end of quarter	$ 33	$ 16	$ 1,549	$ 229	$ 377	$ 282	$ 37	$ 51	$ 174	$ 2,748
Individually evaluated for impairment:										
Balance in allowance	$ —	$ —	$ 19	$ —	$ —	$ —	$ —	$ —	$ —	$ 19
Related loan balance	—	—	36	—	—	129	—	—	—	165
Collectively evaluated for impairment:										
Balance in allowance	$ 33	$ 16	$ 1,530	$ 229	$ 377	$ 282	$ 37	$ 51	$ 174	$ 2,729
Related loan balance	7,292	316	99,869	5,059	50,200	16,111	5,759	3,168	19,036	206,810

December 31, 2023 (dollars in thousands)	Loans Secured By Real Estate: Construction and Land	Farmland	Single-family Residential	Multi-family	Commercial	Commercial and Industrial Loans: Commercial and Industrial	SBA Guaranty	Consumer Loans: Consumer	Automobile	Total
Balance, beginning of year	$ 44	$ 20	$ 1,230	$ 103	$ 221	$ 174	$ 22	$ 23	$ 325	$ 2,162
Charge-offs	—	—	—	—	—	—	—	(79)	(124)	(203)
Recoveries	—	—	—	—	—	—	—	1	101	102
(Release) provision for credit losses	(13)	(2)	60	(7)	(31)	130	(1)	85	(125)	96
Balance, end of the year	$ 31	$ 18	$ 1,290	$ 96	$ 190	$ 304	$ 21	$ 30	$ 177	$ 2,157
Individually evaluated for impairment:										
Balance in allowance	$ —	$ —	$ 21	$ —	$ —	$ 179	$ —	$ —	$ —	$ 200
Related loan balance	—	—	30	—	—	299	—	—	—	329
Collectively evaluated for impairment:										
Balance in allowance	$ 31	$ 18	$ 1,269	$ 96	$ 190	$ 125	$ 21	$ 30	$ 177	$ 1,957
Related loan balance	4,636	325	86,857	5,165	39,217	10,551	5,924	2,039	21,264	175,978

(dollars in thousands)	September 30, 2024	September 30, 2023
Average loans	$ 188,627	$ 181,234
Net charge offs to average loans (annualized)	0.13 %	0.05 %

During the nine-month period ended September 30, 2024, loans to 11 borrowers and related entities totaling approximately $371,000 were determined to be uncollectible and were charged off. During the nine-month period ended September 30, 2023, loans to 6 borrowers and related entities totaling approximately $ 136,000 were determined to be uncollectible and were charged off.

The following table provides current period gross charge-offs by the year of origination for each period shown:

September 30, 2024 (dollars in thousands)	Gross Charge-offs — Term Loans by Origination Year: 2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Commercial and Industrial Loans								
Commercial and industrial	$ —	$ —	$ —	$ 299	$ —	$ —	$ —	$ 299
Consumer Loans								
Consumer	—	—	13	—	—	5	—	18
Automobile	—	—	—	—	38	16	—	54
Total gross charge-offs this period	$ —	$ —	$ 13	$ 299	$ 38	$ 21	$ —	$ 371

December 31, 2023 (dollars in thousands)	Gross Charge-offs — Term Loans by Origination Year: 2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Consumer Loans								
Consumer	$ —	$ —	$ —	$ —	$ —	$ 79	$ —	$ 79
Automobile	—	—	47	43	27	7	—	124
Total gross charge-offs this period	$ —	$ —	$ 47	$ 43	$ 27	$ 86	$ —	$ 203

Reserve for Unfunded Commitments. Loan commitments and unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Bank generally requires collateral to support financial instruments with credit risk on the same basis as it does for on-balance sheet instruments.

The collateral requirement is based on management's credit evaluation of the counter party. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

As of September 30, 2024 and 2023, the Bank had outstanding commitments totaling $ 31.6 million. The reserve for unfunded commitments represents the expected lifetime credit losses on off-balance sheet obligations such as commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments that are unconditionally cancellable by the Company. The allowance for credit losses on unfunded commitments is determined by estimating future draws, including the effects of risk mitigation actions, and applying the expected loss rates on those draws. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses related to the respective loan portfolio class.

The following table shows the Bank’s reserve for unfunded commitments arising from these transactions:

	Nine Months Ended September 30,	
(dollars in thousands)	**2024**	**2023**
Beginning balance	$ 473	$ 477
Reduction of unfunded reserve	(157)	(52)
Provisions charged to operations	281	23
Ending balance	$ 597	$ 448

Contractual Obligations and Commitments. No material changes, outside the normal course of business, have been made during the first nine months of 2024.

Asset Quality. The following tables set forth the amount of the Bank’s current, past due, and non-accrual loans by categories of loans and restructured loans, at the dates indicated.

At September 30, 2024 (dollars in thousands)	Current	30-89 Days Past Due	90 Days or More and Still Accruing	Nonaccrual	Total
Loans Secured by Real Estate					
Construction and land	$ 7,292	$ —	$ —	$ —	$ 7,292
Farmland	316	—	—	—	316
Single-family residential	99,718	86	—	101	99,905
Multi-family	5,059	—	—	—	5,059
Commercial	49,970	101	—	129	50,200
Total loans secured by real estate	162,355	187	—	230	162,772
Commercial and Industrial					
Commercial and industrial	16,240	—	—	—	16,240
SBA guaranty	5,287	472	—	—	5,759
Total commercial and industrial loans	21,527	472	—	—	21,999
Consumer Loans					
Consumer	3,168	—	—	—	3,168
Automobile	18,802	171	—	63	19,036
Total consumer loans	21,970	171	—	63	22,204
	$ 205,852	$ 830	$ —	$ 293	$ 206,975

At December 31, 2023 (dollars in thousands)	Current	30-89 Days Past Due	90 Days or More and Still Accruing	Nonaccrual	Total
Loans Secured by Real Estate					
Construction and land	$ 4,636	$ —	$ —	$ —	$ 4,636
Farmland	325	—	—	—	325
Single-family residential	86,233	509	—	145	86,887
Multi-family	5,165	—	—	—	5,165
Commercial	39,217	—	—	—	39,217
Total loans secured by real estate	135,576	509	—	145	136,230
Commercial and Industrial					
Commercial and industrial	10,551	—	—	299	10,850
SBA guaranty	5,924	—	—	—	5,924
Total commercial and industrial loans	16,475	—	—	299	16,774
Consumer Loans					
Consumer	1,981	58	—	—	2,039
Automobile	20,794	387	—	83	21,264
Total consumer loans	22,775	445	—	83	23,303
	$ 174,826	$ 954	$ —	$ 527	$ 176,307

The balances in the above tables have not been reduced by the allowance for credit losses. For the period ended September 30, 2024, the allowance for credit loss is $2.7 million. For the period ended December 31, 2023, the allowance for credit loss is $2.2 million.

Non-accrual loans with specific reserves at September 30, 2024 are comprised of:

Single–family residential – One loan to one borrower that totaled $27,000 with specific reserves of $19,000 established for the loan. This was a restructured loan to a borrower with financial difficulty.

Below is a summary of the recorded investment amount and related allowance for losses of the Bank's impaired loans at September 30, 2024 and December 31, 2023.

September 30, 2024 (dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ —	$ —
Farmland	—	—	—	—	—
Single-family residential	8	27	3	19	48
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Total loans secured by real estate	8	27	3	19	48
Commercial and Industrial					
Commercial and industrial	—	—	—	—	—
SBA guaranty	—	—	—	—	—
Total commercial and industrial loans	—	—	—	—	—
Consumer Loans					
Consumer	—	—	—	—	—
Automobile	—	—	—	—	—
Total consumer loans	—	—	—	—	—
Total impaired loans with specific reserves	$ **8**	$ **27**	$ **3**	$ **19**	$ **48**
Impaired loans with no specific reserve:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ n/a	$ —
Farmland	—	—	—	n/a	—
Single-family residential	74	74	8	n/a	91
Multi-family	—	—	—	n/a	—
Commercial	129	129	7	n/a	138
Total loans secured by real estate	203	203	15	—	229
Commercial and Industrial					
Commercial and industrial	—	—	—	n/a	—
SBA guaranty	—	—	—	n/a	—
Total commercial and industrial loans	—	—	—	—	—
Consumer Loans					
Consumer	—	—	—	n/a	—
Automobile	92	92	4	n/a	85
Total consumer loans	92	92	4	n/a	85
Total impaired loans with no specific reserve	$ **295**	$ **295**	$ **19**	$ **—**	$ **314**

December 31, 2023 (dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Interest Income Recognized	Specific Reserve	Average Recorded Investment
Impaired loans with specific reserves:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ —	$ —
Farmland	—	—	—	—	—
Single-family residential	9	30	4	21	48
Multi-family	—	—	—	—	—
Commercial	—	—	—	—	—
Total loans secured by real estate	9	30	4	21	48
Commercial and Industrial					
Commercial and industrial	120	299	—	179	499
SBA guaranty	—	—	—	—	—
Total commercial and industrial loans	120	299	—	179	499
Consumer Loans					
Consumer	—	—	—	—	—
Automobile	—	—	—	—	—
Total consumer loans	—	—	—	—	—
Total impaired loans with specific reserves	$ **129**	$ **329**	$ **4**	$ **200**	$ **547**
Impaired loans with no specific reserve:					
Loans Secured by Real Estate					
Construction and land	$ —	$ —	$ —	$ n/a	$ —
Farmland	—	—	—	n/a	—
Single-family residential	115	115	5	n/a	130
Multi-family	—	—	—	n/a	—
Commercial	—	—	—	n/a	—
Total loans secured by real estate	115	115	5	—	130
Commercial and Industrial					
Commercial and industrial	—	—	—	n/a	—
SBA guaranty	—	—	—	n/a	—
Total commercial and industrial loans	—	—	—	—	—
Consumer Loans					
Consumer	—	—	—	n/a	—
Automobile	154	154	6	n/a	104
Total consumer loans	154	154	6	n/a	104
Total impaired loans with no specific reserve	$ **269**	$ **269**	$ **11**	$ **—**	$ **234**

(dollars in thousands)	September 30, 2024	December 31, 2023
Restructured loans to borrowers with financial difficulty	$ 27	$ 30
Non-accrual and 90+ days past due and still accruing loans to average loans	0.14 %	0.29 %
Allowance for credit losses to nonaccrual & 90+ days past due and still accruing loans	937.5 %	409.3 %

At September 30, 2024, there was one restructured loan to a borrower with financial difficulty consisting of a single-family residential loan in the amount of $27,000. This loan is in a nonaccrual status.

The following table shows the activity for non-accrual loans for the nine months ended September 30, 2024 and 2023.

(dollars in thousands)	Loans Secured By Real Estate: Single-family Residential	Loans Secured By Real Estate: Commercial	Commercial and Industrial Loans: Commercial and Industrial	Commercial and Industrial Loans: SBA Guaranty	Consumer Loans: Consumer	Consumer Loans: Automobile	Total
December 31, 2022	**$ 104**	**$ —**	**$ 299**	**$ —**	**$ —**	**$ 85**	**$ 488**
Transfers into nonaccrual	307	—	—	—	—	145	452
Loans paid down/payoffs	(262)	—	—	—	—	(24)	(286)
Loans returned to accrual status	—	—	—	—	—	(16)	(16)
Loans charged off	—	—	—	—	—	(57)	(57)
September 30, 2023	**$ 149**	**$ —**	**$ 299**	**$ —**	**$ —**	**$ 133**	**$ 581**
December 31, 2023	**$ 145**	**$ —**	**$ 299**	**$ —**	**$ —**	**$ 83**	**$ 527**
Transfers into nonaccrual	—	141	—	—	—	50	191
Loans paid down/payoffs	(44)	(12)	—	—	—	(30)	(86)
Loans returned to accrual status	—	—	—	—	—	—	—
Loans charged off	—	—	(299)	—	—	(40)	(339)
September 30, 2024	**$ 101**	**$ 129**	**$ —**	**$ —**	**$ —**	**$ 63**	**$ 293**

Other Real Estate Owned. The Company had no real estate acquired in partial or total satisfaction of debt at September 30, 2024 and December 31, 2023. All such properties are initially recorded at a lower of cost or fair value (net realizable value) at the date acquired and carried on the balance sheet as other real estate owned. Losses arising at the date of acquisition are charged against the allowance for credit losses. Subsequent write-downs that may be required and the expense of operation are included in noninterest expense. Gains and losses realized from the sale of other real estate owned were included in noninterest income.

Credit Quality Information

In addition to monitoring the performance status of the loan portfolio, the Company utilizes a risk rating scale (1-8) to evaluate loan asset quality for all loans. Loans that are rated 1-4 are classified as pass credits. For the pass-rated loans, management believes there is a low risk of loss related to these loans and, as necessary, credit may be strengthened through improved borrower performance and/or additional collateral.

The Bank's internal risk ratings are as follows:

1 – 4 (Pass) - Pass credits are loans in grades "superior" through "acceptable". These are at least considered to be credits with acceptable risks and would be granted in the normal course of lending operations.

5 (Special Mention) - Special mention credits have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the credits or in the Bank's credit position at some future date. If weaknesses cannot be identified, classification as special mention is not appropriate. Special mention credits are not adversely classified and do not expose the Bank to sufficient risk to warrant an adverse classification. No apparent loss of principal or interest is expected.

6 (Substandard) - Substandard credits are inadequately protected by the current worth and paying capacity of the obligor or by the collateral pledged. Financial statements normally reveal some or all of the following: poor trends, lack of earnings and cash flow, excessive debt, lack of liquidity, and the absence of creditor protection. Credits so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

7 (Doubtful) - A doubtful credit has all the weaknesses inherent in a substandard asset 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 extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans. Doubtful classification for an entire credit should be avoided when collection of a specific portion appears highly probable with the adequately secured portion graded Substandard.

The following tables provides information with respect to the Company's credit quality indicators by loan portfolio segment on September 30, 2024, and December 31, 2023:

	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
September 30, 2024 (dollars in thousands)	**Construction and Land**	**Farmland**	**Single-family Residential**	**Multi-family**	**Commercial**	**Commercial and Industrial**	**SBA Guaranty**	**Consumer**	**Automobile**	**Total**
Pass	$ 7,292	$ 316	$ 99,804	$ 5,059	$ 50,071	$ 16,240	$ 5,759	$ 3,168	$ 18,944	$206,653
Special mention	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	101	—	129	—	—	—	92	322
Doubtful	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—
	$ 7,292	$ 316	$ 99,905	$ 5,059	$ 50,200	$ 16,240	$ 5,759	$ 3,168	$ 19,036	$206,975
Nonaccrual	$ —	$ —	$ 101	$ —	$ 129	$ —	$ —	$ —	$ 63	$ 293
Restructured loans to borrowers with financial difficulty	$ —	$ —	$ 27	$ —	$ —	$ —	$ —	$ —	$ —	$ 27
Number restructured loans to borrowers with financial difficulty	—	—	1	—	—	—	—	—	—	1
Non-performing restructured loans to borrowers with financial difficulty	$ —	$ —	$ 27	$ —	$ —	$ —	$ —	$ —	$ —	$ 27
Number of non-performing restructured loan accounts	—	—	1	—	—	—	—	—	—	1

	Loans Secured By Real Estate					Commercial and Industrial Loans		Consumer Loans		
December 31, 2023 (dollars in thousands)	**Construction and Land**	**Farmland**	**Single-family Residential**	**Multi-family**	**Commercial**	**Commercial and Industrial**	**SBA Guaranty**	**Consumer**	**Automobile**	**Total**
Pass	$ 4,636	$ 325	$ 86,742	$ 5,165	$ 39,217	$ 10,551	$ 5,924	$ 2,039	$ 21,110	$175,709
Special mention	—	—	—	—	—	—	—	—	—	—
Substandard	—	—	145	—	—	299	—	—	154	598
Doubtful	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—
	$ 4,636	$ 325	$ 86,887	$ 5,165	$ 39,217	$ 10,850	$ 5,924	$ 2,039	$ 21,264	$176,307
Nonaccrual	$ —	$ —	$ 145	$ —	$ —	$ 299	$ —	$ —	$ 83	$ 527
Restructured loans to borrowers with financial difficulty	$ —	$ —	$ 30	$ —	$ —	$ —	$ —	$ —	$ —	$ 30
Number restructured loans to borrowers with financial difficulty	—	—	1	—	—	—	—	—	—	1
Non-performing restructured loans to borrowers with financial difficulty	$ —	$ —	$ 30	$ —	$ —	$ —	$ —	$ —	$ —	$ 30
Number of non-performing restructured loan accounts	—	—	1	—	—	—	—	—	—	1

NOTE 6 – FAIR VALUE

ASC Topic 820 provides a framework for measuring and disclosing fair value under GAAP. ASC 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available for sale investment securities) or a nonrecurring basis (for example, impaired loans).

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Fair Value Hierarchy

ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

- Level 2 – Other significant observable inputs (including quoted prices in active markets for similar securities).

- Level 3 – Significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Investment Securities Available for Sale and Interest Rate Swaps. Investment securities available for sale and interest rate swap contracts are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities, and interest rate swap contracts. Securities classified as Level 3 include asset-backed securities in illiquid markets.

The Bank may be required, from time to time, to measure certain other financial and non-financial assets and liabilities at fair value on a non-recurring basis in accordance with GAAP.

Loans. Impaired loans totaled $322,000 with $19,000 of specific reserves as of September 30, 2024. These assets included single-family residential, commercial and industrial, and automobile loans. They have been classified as impaired and include nonaccrual, past due 90 days or more and still accruing, and a homogeneous pool of indirect loans all considered to be impaired loans, which are valued under Level 3 inputs. Foreclosed real estate assets are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. The Company is predominantly a cash flow lender with real estate serving as collateral on a majority of loans. On a quarterly basis, the Company determines such fair values through a variety of data points and mostly relies on appraisals from independent appraisers. We obtain an appraisal of properties when they become impaired and conduct new appraisals at least every year. Typically, these appraisals do not include an inside inspection of the property as our loan documents do not require the borrower to allow access to the property. Therefore, the most significant unobservable inputs are the details of the amenities included within the property and the condition of the property. Further, we cannot always accurately assess the amount of time it takes to gain ownership of our collateral through the foreclosure process and the damage, as well as potential looting, of the property further decreasing our value. Thus, in determining the fair values we discount the current independent appraisals, within a range of 0% to 16%, based on individual circumstances.

The changes in the assets subject to fair value measurements are summarized below by level:

(dollars in thousands)	Level 1	Level 2	Level 3	Fair Value
September 30, 2024				
Recurring:				
Securities available for sale				
Collateralized mortgage obligations	$ —	$ 12,698	$ —	$ 12,698
Agency mortgage-backed securities	547	41,119	—	41,666
Municipal securities	—	34,459	—	34,459
Corporate securities	—	1,343	—	1,343
U.S. Government agency securities	—	29,792	—	29,792
Non-recurring:				
Impaired loans	—	—	303	303
	$ 547	$ 119,411	$ 303	$ 120,261
December 31, 2023				
Recurring:				
Securities available for sale				
Collateralized mortgage obligations	$ —	$ 13,661	$ —	$ 13,661
Agency mortgage-backed securities	531	45,583	—	46,114
Municipal securities	—	33,729	—	33,729
Corporate securities	—	1,284	—	1,284
U.S. Government agency securities	—	37,694	—	37,694
U.S. Treasury securities	6,945	—	—	6,945
Non-recurring:				
Impaired loans	—	—	398	398
	$ 7,476	$ 131,951	$ 398	$ 139,825

The estimated fair values of the Company's financial instruments at September 30, 2024 and December 31, 2023 are summarized in the following table. The fair values of a significant portion of these financial instruments are estimates derived using present value techniques and may not be indicative of the net realizable or liquidation values. Also, the calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

(dollars in thousands)	September 30, 2024 Carrying Amount	September 30, 2024 Fair Value	December 31, 2023 Carrying Amount	December 31, 2023 Fair Value
Financial assets:				
Cash and due from banks	$ 2,255	$ 2,255	$ 1,940	$ 1,940
Interest-bearing deposits in other financial institutions	20,127	20,127	12,189	12,189
Federal funds sold	80	80	1,112	1,112
Investment securities available for sale	119,958	119,958	139,427	139,427
Investments in restricted stock	246	246	1,217	1,217
Ground rents	124	124	130	130
Loans, less allowance for credit losses	204,227	196,740	174,150	161,802
Accrued interest receivable	1,478	1,478	1,192	1,192
Cash value of life insurance	8,789	8,789	8,657	8,657
Financial liabilities:				
Deposits	314,273	270,290	300,067	252,707
Short-term borrowings	30,000	30,125	30,000	30,000
Accrued interest payable	993	993	366	366
Unrecognized financial instruments:				
Commitments to extend credit	31,345	31,345	33,162	33,162
Standby letters of credit	255	255	45	45

The following table presents the carrying amount, fair value, and placement in the fair value hierarchy of the Company's financial instruments that were estimated using an exit pricing notion.

(dollars in thousands)

September 30, 2024	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial instruments - Assets					
Cash and cash equivalents	$ 22,462	$ 22,462	$ 22,462	$ —	$ —
Loans receivable, net	204,227	196,740	—	—	196,740
Cash value of life insurance	8,789	8,789	—	8,789	—
Financial instruments - Liabilities					
Deposits	314,273	270,290	25,772	244,518	—
Short-term debt	30,000	30,125	—	30,125	—

Fair values are based on quoted market prices for similar instruments or estimated using discounted cash flows. The discounts used are estimated using comparable market rates for similar types of instruments adjusted to be commensurate with the credit risk, overhead costs, and optionality of such instruments.

The fair value of cash and due from banks, federal funds sold, investments in restricted stocks and accrued interest receivable are equal to the carrying amounts. The fair values of investment securities are determined using market quotations, if available, or measured using pricing models or other model-based valuation techniques such as present value and future value cash flows. The fair value of loans receivable is estimated using discounted cash flow analysis. For cash surrender value of life insurance, the carrying value is a reasonable estimate of fair value. The cash surrender value of life insurance is reported in the Level 2 fair value category. The fair value of the Bank Term Funding Program loans is equal to the carrying amounts. The fair value of FHLB borrowings is estimated based upon discounted future cash flows using a discounted rate comparable to the current market rate for such borrowings. FHLB borrowings are reported in the Level 2 fair value category.

The fair value of noninterest-bearing deposits, interest-bearing checking, savings, and money market deposit accounts, securities sold under agreements to repurchase, and accrued interest payable are equal to the carrying amounts. The fair value of fixed-maturity time deposits is estimated using discounted cash flow analysis.

NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") with required effective dates. The following accounting pronouncements should be read in conjunction with "Critical Accounting Policies" of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2023 Form 10-K.

ASU No. 2023-01. Leases (Topic 842), "Common Control Arrangements." The ASU is an amendment to Topic 842. The amendments in this Update clarify the accounting for leasehold improvements associated with common control leases. This Update has been issued in order to address current diversity in practice associated with the accounting for leasehold improvements associated with a lease between entities under common control. The amendments in this Update apply to all lessees that are a party to a lease between entities under common control in which there are leasehold improvements. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2023. The Company adopted this guidance in the first quarter of 2024. The Company has no leases which are subject to this guidance and therefore the impact of adopting the new guidance did not have an impact upon the Company's financial position and results of operations.

ASU No. 2023-02. Investments-Equity Method and Joint Ventures (Topic 323), "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." The amendments in this Update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2023 and the Company adopted the guidance in the first quarter of 2024. The Company currently has no investments which are subject to this guidance and therefore the impact of adopting the new guidance did not have an impact upon the Company's financial position and results of operations.

ASU No. 2023-05. Business Combinations – "Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement." The amendments in this Update are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Additionally, a joint venture that was formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance), either prospectively or retrospectively. The Company is evaluating the impact of adopting the new guidance on the consolidated financial statements.

ASU No. 2023-06. Disclosure Improvements – "Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative." The amendments in this Update represent changes to clarify or improve disclosure and presentation requirements of a variety of Topics. Many of the amendments allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the Codification with the SEC's regulations. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this Update should be applied prospectively. If by September 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity.

ASU No. 2023-07. "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-04"). This update requires public entities with reportable segments to provide additional and more detailed disclosures. This standard is effective for annual periods beginning after December 15, 2023. The Company adopted the guidance in the first quarter of 2024 but does not meet the requirements for reporting segment information and, as such, the adoption did not have an impact on its consolidated financial statements.

ASU No. 2023-08. "Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and disclosure of Crypto Assets ("ASU 2023-08")." This update provides guidance for crypto assets to be carried at fair value and requires additional disclosures. This standard is effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2023-08 to have an impact on its consolidated financial statements. The Company currently does not hold crypto assets or carry goodwill on its balance sheet.

ASU No. 2023-09. "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This update requires more detailed disclosures of income taxes paid net of refunds received, income from continuing operations before income tax expense or benefit, and income tax expense from continuing operations. This standard is to be applied on a prospective basis, with retrospective application permitted, and will be effective for the Company for annual periods beginning after December 15, 2024. We do not expect adoption of this standard to have a material impact on the Company's financial position or results of operations.

ASU No. 2024-01 "Compensation - Stock Compensation (Topic 718) - Scope Application of Profits Interest and Similar Awards" ("ASU 2024-01") clarifies how an entity determines whether a profits interest or similar award is within the scope of Topic 718 or is not a share-based payment arrangement and therefore within the scope of other guidance. ASU 2024-01 provides an illustrative example with multiple fact patterns and also amends certain language in the "Scope" and "Scope Exceptions" sections of Topic 718 to improve its clarity and operability without changing the guidance. Entities can apply the amendments either retrospectively to all prior periods presented in the financial statements or prospectively to profits interest and similar awards granted or modified on or after the date of adoption. If prospective application is elected, an entity must disclose the nature of and reason for the change in accounting principle. ASU 2024-01 is effective January 1, 2025, including interim periods. We do not expect adoption of this standard to have a material impact on the Company's financial position or results of operations.

ASU No. 2024-02 "Codification Improvements" ("ASU 2024-02") amends the Codification to remove references to various concepts statements and impacts a variety of topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. ASU 2024-02 is effective January 1, 2025. We do not expect adoption of this standard to have a material impact on the Company's financial position or results of operations.

NOTE 8 – SUBSEQUENT EVENTS

None.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

When used in this discussion and elsewhere in this Form 10- Q, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and readers are advised that various factors could affect the Company’s financial performance and could cause the Company’s actual results for future periods to differ materially from those anticipated or projected. While it is impossible to identify all such factors, such factors include, but are not limited to, those factors identified in the Company’s periodic reports filed with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K.

The Company does not undertake and specifically disclaims any obligation to update any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

OVERVIEW

Glen Burnie Bancorp, a Maryland corporation (the “Company”), through its subsidiary, The Bank of Glen Burnie, a Maryland banking corporation (the “Bank”), operates a commercial bank with eight offices in Anne Arundel County Maryland. The Company reported a net loss of $72,000 for the nine-month period ended September 30, 2024 compared to net income of $1.3 million for the same period in 2023. The decrease was primarily the result of a $460,000 decrease in interest and dividends on securities, a $1.0 million increase in interest expense on short-term borrowings, a $1.4 million increase in interest expense on deposits and a $780,000 increase in the provision for credit losses on loans, partially offset by an increase of $1.3 million in loan interest income and fees, a $535,000 increase in interest on deposits with banks, and a $569,000 decrease in the provision for income taxes. The increase in interest expense on deposits was driven by the higher rate and balances in money market deposits. The increase in interest on borrowings was driven by an increase in short-term borrowings due to the elevated level of deposit runoff in 2023. The higher interest expense was partially offset by the increase in loan interest income due to higher yields on loans for the first nine months of 2024 and resulted in a decrease in net interest income of $1.1 million for the nine-months ended September 30, 2024, versus the same period last year. Total interest income increased $1.4 million to $11.3 million for the nine-month period ended September 30, 2024, as compared to the same period in 2023. This resulted primarily from a 0.72% increase in the yield on loans and a $7.4 million increase in average total loan balances.

Total assets increased to $368.4 million on September 30, 2024, an increase of $16.5 million from December 31, 2023. Cash and cash equivalents increased by $7.2 million or 47.38%, during the first nine months of 2024. The Bank’s loan portfolio increased by $30.7 million or 17.39% and investment securities available for sale declined by $19.5 million or 13.96% over the same period. The Company’s allowance for credit losses was $2.75 million as of September 30, 2024, compared to $2.16 million at December 31, 2023, an increase of $591,000 or 27.40%. Total deposits increased $14.2 million, or 4.73%, during the first nine months of 2024 and short-term borrowings were unchanged at $30.0 million on September 30, 2024 and at year end 2023. Shareholder’s equity was $21.2 million on September 30, 2024, a $1.8 million or 9.50% increase, as compared to $19.3 million on December 31, 2023. The increase was primarily due to unrealized losses, net of taxes, on securities available for sale amounting to $15.7 million on September 30, 2024, compared to $18.4 million at December 31, 2023. The Company has strong liquidity and capital positions that provide ample capacity for future growth. The Bank’s total regulatory capital to risk weighted assets were 16.72% on September 30, 2024, as compared to 18.40% on December 31, 2023.

Return on average assets for the three- and nine-month periods ended September 30, 2024, was 0.14% and (0.03)% compared to 0.61% and 0.46% for the three- and nine-month periods ended September 30, 2023, respectively. Lower net income and a higher average asset balance primarily drove the lower return on average assets for the three- and nine-month periods ended September 30, 2024, when compared to the same periods in 2023. Return on average equity for the three- and nine month periods ended September 30, 2024, was 2.63% and (0.52%) compared to 12.47% and 9.34% for the three- and nine-month periods ended September 30, 2023, respectively. Lower net income and a higher average equity balance primarily drove the lower return on average equity for the three- and nine-month periods ended September 30, 2024, compared to the same periods in 2023.

The book value per share of Bancorp's common stock was $7.29 on September 30, 2024, as compared to $4.57 per share on September 30, 2023. The increase primarily resulted from the lower unrealized losses on the Company's available for sale securities of $15.7 million at September 30, 2024 compared to $24.6 million at September 30, 2023.

At September 30, 2024, the Bank remained above all "well-capitalized" regulatory requirement levels. The Bank's tier 1 risk-based capital ratio was 15.47% at September 30, 2024, compared to 17.37% at December 31, 2023.

Our liquidity position remained strong due to managed cash and cash equivalents, borrowing lines with the Federal Reserve Bank, the FHLB of Atlanta and correspondent banks, and the size and composition of the bond portfolio.

RESULTS OF OPERATIONS

Net income attributable to common stockholders for the three-month period ended September 30, 2024, was $129,000, or $0.04 per basic and diluted common share compared to net income of $551,000, or $0.19 per basic and diluted common share for the same period of 2023. The results for the three-month period ended September 30, 2024, were lower than the same period of 2023 resulting primarily from a $614,000 increase in interest expense on deposits and a $126,000 increase in interest expense on short-term borrowings, a $287,000 decrease in interest and dividends on securities, a $170,000 increase in the provision for credit losses on loans and a $197,000 increase in noninterest expenses. These decreases were partially offset by an increase of $763,000 in loan interest income and fees, and a $133,000 increase in interest on deposits with banks. The Company's need to defend its deposit base as well as grow interest-earning asset balances necessitated a strategic change in direction that resulted in the increased interest expense.

Net loss attributable to common stockholders for the nine-month period ended September 30, 2024, was $72,000, as compared to net income of $1.3 million for the nine-month period ended September 30, 2023. The decrease is primarily the result of a $460,000 decrease in interest and dividends on securities, a $1.0 million increase in interest expense on short-term borrowings, a $1.4 million increase in interest expense on deposits and a $780,000 increase in the provision for credit losses on loans, partially offset by an increase of $1.3 million in loan interest income and fees, a $535,000 increase in interest on deposits with banks and a $569,000 decrease in the provision for income taxes.

Net Interest Income. The Company's net interest income for the three-month period ended September 30, 2024 was $2.8 million, as compared to $3.0 million for the same period in 2023, a decrease of $131,000, or 4.44%. The decrease in net interest income was primarily due to a $740,000 increase in the cost of interest-bearing deposits and borrowings driven by a $17.3 million increase in the average balance of interest-bearing funds and a $16.6 million decrease in the average balance of noninterest-bearing deposits. The higher expenses were partially offset by a $609,000 increase in total interest income due to a 0.66% increase in the yield on interest earning assets.

Net interest income for the nine-month period ended September 30, 2024, totaled $8.2 million, a decrease of $1.1 million from the nine-month period ended September 30, 2023. The decrease in net interest income was due to a $2.4 million increase in the cost of interest-bearing deposits and borrowings driven by a $17.3 million increase in the average balance of interest-bearing funds and a $20.0 million decrease in the average balance of noninterest-bearing deposits. The higher expenses were partially offset by a $1.3 million increase in total interest income due to a 0.51% increase in the yield of interest earning assets.

Total interest income for the third quarter of 2024 increased $609,000, or 18.18% when compared to the same period in 2023, from $3.4 million in 2023 to $4.0 million in 2024. The primary driver of the increase was a $763,000, or 35.57%, increase in interest and fees on loans due to higher rates and higher average balance of total loans, along with a $133,000, or 127.88%, increase in interest on deposits with banks and federal funds that were partially offset by a $287,000, or 26.07%, decrease in interest and dividends on investment securities due to maturities.

Total interest income increased $1.4 million for the nine-month period ended September 30, 2024, when compared to the same period in 2023 from $9.9 million in 2023 to $11.3 million, an increase of 13.68%. The primary driver of the increase was an increase of $1.3 million, or 20.10%, increase in interest and fees on loans due to higher rates and higher average balance of total loans and $535,000, or 114.07%, increase in interest on deposits with banks and federal funds that were partially offset by a $460,000, or 15.01%, decrease in interest and dividends on investment securities due to maturities.

Interest expense for the third quarter of 2024 increased $740,000 from $398,000 for the same period in 2023 to $1.1 million, an increase of 185.93%. The increase was attributable to higher balances and rates on money market deposits and a higher average balance of short-term borrowings for the third quarter of 2024. Interest expense increased $2.4 million for the nine month period ended September 30, 2024, from $657,000 for the same period in 2023 to $3.1 million, an increase of 368.65%.

Net interest margin for the three-month period ended September 30, 2024 was 3.06% compared to 3.21% for the three-month period ended September 30, 2023, a decrease of 0.15%. Higher average interest-bearing funds, lower average noninterest-bearing funds, and higher cost of funds, partially offset by higher average yields and balances on interest-earning assets were the primary drivers of year-over-year results. The average balance of interest-bearing funds and noninterest-bearing funds increased $17.3 million and decreased $16.6 million, respectively, and the cost of funds increased 0.86%, when comparing the three-month periods ending September 30, 2023, and 2024. The average balance of interest-earning assets increased $0.8 million while the yield increased 0.66% from 3.64% to 4.30%, when comparing the three-month periods ending September 30, 2023, and 2024, respectively.

Net interest margin for the nine-month period ended September 30, 2024, was 2.98%, compared to 3.35% for the same period of 2023. Higher average interest-bearing funds, lower average noninterest-bearing funds, and higher cost of funds, partially offset by higher average yields on interest-earning assets, were the primary drivers of year-over-year results. The average balance of interest-bearing funds and noninterest-bearing funds increased $17.3 million and decreased $20.0 million, respectively, and the cost of funds increased 0.94%, when comparing the nine-month periods ending September 30, 2023, and 2024. The average balance of interest-earning assets decreased $2.7 million, while the yield increased 0.51% from 3.59% to 4.10%, when comparing the nine-month periods ending September 30, 2023, and 2024, respectively.

The average balance of interest-bearing deposits in banks and investment securities decreased $25.3 million from $188.2 million to $162.9 million for the third quarter of 2024, compared to the same period of 2023, while the yield remained unchanged during that same period.

The average balance of interest-bearing deposits in banks and investment securities decreased $10.1 million from $187.9 million to $177.8 million for the first nine months of 2024, compared to the same period of 2023, while the yield increased 0.20% from 2.51% to 2.71% during that same period. The increase in yields is attributed to the higher interest rate environment and its positive impact on cash balances and investment yields.

Average total loan balances increased $26.1 million to $203.3 million for the three-month period ended September 30, 2024, compared to $177.2 million for the same period of 2023, while the yield increased 0.89% from 4.80% to 5.69% during that same period. The increase in loan yields for the third quarter of 2024 reflected the runoff of the lower yielding loans and the origination of higher yielding loans in the current higher rate environment.

Average total loan balances increased $7.4 million to $188.6 million for the nine-month period ended September 30, 2024, compared to $181.2 million for the same period of 2023, while the yield increased 0.72% from 4.70% to 5.42% during that same period. The increase in loan yields for the first nine months of 2024 reflected the runoff of the lower yielding loans and origination of higher yielding loans in the current higher rate environment.

The following tables set forth, for the periods indicated, information regarding the average balances of interest-earning assets and interest-bearing liabilities, the amount of interest income and interest expense and the resulting yields on average interest-earning assets and rates paid on average interest-bearing liabilities.

	Three Months Ended September 30,					
	2024			2023		
(dollars in thousands)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
ASSETS:						
Interest-earning assets:						
Interest-bearing deposits w/ banks & fed funds	$ 19,696	$ 231	4.67 %	$ 9,698	$ 104	4.25 %
Investment securities available for sale	142,972	814	2.28	177,856	1,101	2.48
Restricted equity securities	246	6	9.15	675	—	—
Total interest-bearing deposits/investments	162,914	1,051	2.57	188,229	1,205	2.56
Loans Secured by Real Estate						
Construction and land	6,939	163	9.35	4,670	55	4.67
Farmland	318	4	5.06	329	4	4.82
Single-family residential	100,401	1,360	5.42	82,317	950	4.62
Multi-family	5,091	62	4.89	5,219	65	4.98
Commercial	46,061	669	5.78	41,971	612	5.79
Total loans secured by real estate	158,810	2,258	5.66	134,506	1,686	4.97
Commercial and Industrial						
Commercial and industrial	15,373	247	6.39	9,847	113	4.59
SBA guaranty	5,740	122	8.43	5,957	123	8.19
Total commercial and industrial loans	21,113	369	6.95	15,804	236	5.92
Consumer Loans						
Consumer	3,308	4	0.49	1,517	8	2.09
Automobile	20,085	277	5.52	25,396	215	3.36
Total consumer loans	23,393	281	4.78	26,913	223	3.29
Total loans	203,316	2,908	5.69	177,223	2,145	4.80
Total interest-earning assets	366,230	3,959	4.30	365,452	3,350	3.64
Cash	2,199			2,305		
Allowance for credit losses	(2,714)			(2,138)		
Market valuation	(24,887)			(28,744)		
Other assets	23,299			23,892		
Total non-earning assets	(2,103)			(4,685)		
Total assets	$ 364,127			$ 360,767		
LIABILITIES AND STOCKHOLDER'S EQUITY:						
Interest-bearing deposits:						
Interest-bearing checking and savings	$ 105,246	25	0.09 %	$ 137,192	28	0.08 %
Money market	67,708	635	3.73	15,184	—	—
Certificates of deposit	27,270	70	1.01	40,597	88	0.88
Total interest-bearing deposits	200,224	730	1.45	192,973	116	0.24
Borrowed Funds:						
Bank Term Funding Program	30,000	408	5.41	10,000	148	5.87
FHLB advances	—	—	—	9,946	134	5.35
Federal Funds Purchased	1	—	—	—	—	—
Total borrowed funds	30,001	408	5.41	19,946	282	5.61
Total interest-bearing liabilities	230,225	1,138	1.97	212,919	398	0.74
Non-interest-bearing deposits	111,795			128,345		
Total cost of funds	342,020	1,138	1.32	341,264	398	0.46
Other liabilities and accrued expenses	2,548			1,955		
Total liabilities	344,568			343,219		
Stockholder's equity	19,559			17,548		
Total liabilities and equity	$ 364,127			$ 360,767		
Net interest income		$ 2,821			$ 2,952	
Yield on earning assets			4.30 %			3.64 %
Cost of interest-bearing liabilities			1.97 %			0.74 %
Net interest spread			2.33 %			2.90 %
Net interest margin			3.06 %			3.21 %

	Nine Months Ended September 30,					
	2024			2023		
(dollars in thousands)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
ASSETS:						
Interest-earning assets:						
Interest-bearing deposits w/ banks & fed funds	$ 25,555	$ 979	5.11 %	$ 13,774	$ 456	4.43 %
Investment securities available for sale	151,760	2,605	2.29	173,676	3,065	2.35
Restricted equity securities	437	25	7.74	401	13	4.33
Total interest-bearing deposits/investments	177,752	3,609	2.71	187,851	3,534	2.52
Loans Secured by Real Estate						
Construction and land	5,858	329	7.51	4,544	138	4.06
Farmland	321	12	5.06	331	13	5.25
Single-family residential	92,429	3,490	5.03	81,089	2,727	4.48
Multi-family	5,113	187	4.87	4,998	197	5.27
Commercial	42,329	1,902	6.00	42,877	1,813	5.65
Total loans secured by real estate	146,051	5,920	5.41	133,839	4,888	4.88
Commercial and Industrial						
Commercial and industrial	13,889	614	5.91	10,131	330	4.36
SBA guaranty	5,799	365	8.40	6,010	360	8.01
Total commercial and industrial loans	19,688	979	6.64	16,141	690	5.72
Consumer Loans						
Consumer	2,810	19	0.91	1,726	25	1.94
Automobile	20,077	730	4.85	29,529	765	3.45
Total consumer loans	22,887	749	4.37	31,255	790	3.38
Total loans	188,626	7,648	5.42	181,235	6,368	4.70
Total interest-earning assets	366,378	11,257	4.10	369,086	9,902	3.59
Cash	2,137			2,131		
Allowance for credit losses	(2,371)			(2,147)		
Market valuation	(26,590)			(27,909)		
Other assets	23,471			23,452		
Total non-earning assets	(3,353)			(4,473)		
Total assets	$ 363,025			$ 364,613		
LIABILITIES AND STOCKHOLDER'S EQUITY:						
Interest-bearing deposits:						
Interest-bearing checking and savings	$ 112,143	73	0.09 %	$ 143,423	79	0.07 %
Money market	52,951	1,434	3.62	15,907	6	0.05
Certificates of deposit	29,889	209	0.93	43,944	252	0.77
Total interest-bearing deposits	194,983	1,716	1.18	203,274	337	0.22
Borrowed Funds:						
Bank Term Funding Program	29,630	1,203	5.42	3,676	148	5.38
FHLB advances	3,889	160	5.50	4,238	172	5.43
Federal Funds Purchased	1	—	—	1	—	—
Total borrowed funds	33,520	1,363	5.43	7,915	320	5.43
Total interest-bearing liabilities	228,503	3,079	1.80	211,189	657	0.42
Non-interest-bearing deposits	113,451			133,462		
Total cost of funds	341,954	3,079	1.20	344,651	657	0.25
Other liabilities and accrued expenses	2,387			1,907		
Total liabilities	344,341			346,558		
Stockholder's equity	18,684			18,055		
Total liabilities and equity	$ 363,025			$ 364,613		
Net interest income		$ 8,178			$ 9,245	
Yield on earning assets			4.10 %			3.59 %
Cost of interest-bearing liabilities			1.80 %			0.42 %
Net interest spread			2.30 %			3.17 %
Net interest margin			2.98 %			3.35 %

Provision for Credit Losses on Loans. The Company recognized a provision of $78,000 compared to a release of allowance for credit losses of $92,000 for the three-month period ended September 30, 2024, and 2023, respectively. The increase for the three-month period ended September 30, 2024, when compared to the three-month period ended September 30, 2023, primarily reflects a $32 million increase in the reservable balance of the loan portfolio and a 0.13% increase in the current expected credit loss percentage. The Company recognized a provision of allowance for credit losses on loans in the amount of $773,000 compared to a release of allowance for credit loss of $7,000 for the nine-month periods ended September 30, 2024 and 2023, respectively. As a result, the allowance for credit loss on loans was $2.75 million on September 30, 2024, representing 1.33% of total loans, compared to $2.09 million, or 1.20% of total loans on September 30, 2023.

Noninterest Income. Noninterest income increased to $354,000 for the three-month period ended September 30, 2024, from $315,000 for the corresponding period in 2023, an increase of $39,000, or 12.38%. Noninterest income increased $25,000 to $825,000 for the nine-month period ended September 30, 2024, from $800,000 for the corresponding period in 2023. The increase was primarily due to increases in other fees and commissions.

Noninterest Expenses. Noninterest expenses for the three-month period ended September 30, 2024 and 2023 were $3.02 million and $2.82 million, respectively, an increase of $197,000, or 6.98%. The primary contributors to the increase, when compared to the three-month period ended September 30, 2023, were increases in legal, accounting, and other professional fees, data processing and item processing services, advertising and marketing related expenses, and other expenses (primarily allowance for unfunded commitments), partially offset by decreases in salary and employee benefits. Noninterest expenses increased from $8.7 million for the nine-month period ended September 30, 2023 to $8.8 million for the corresponding period in 2024, an $81,000 or 0.94% increase. The primary contributors when comparing to the nine-month period ended September 30, 2023, were increases in occupancy and equipment expenses, legal, accounting, and other professional fees, advertising and marketing related expenses, and other expenses (primarily allowance for unfunded commitments), partially offset by decreases in salary and employee benefits costs.

Income Taxes. During the three-month period ended September 30, 2024, the Company recorded an income tax benefit of $50,000 compared to a benefit of $13,000 for the same period in 2023, a $37,000, or 284.62% increase. The current quarter's income tax benefit includes forecasted tax benefit of $37,000 for the current period loss. The current period benefit is the result of pre-tax loss containing a lower proportion of taxable income compared to the pre-tax income for the prior year period. For the nine-month period ended September 30, 2024, the Company recorded income tax benefit of $470,000 compared to $99,000 expense for the same period in 2023, a $569,000, or 574.75% decrease. The year-to-date income tax benefit includes forecasted tax benefit of $383,000 for the current period loss and $87,000 associated with amended Maryland tax returns for tax years 2022 and 2021. The tax benefit for year-to-date September 30, 2024 is the result of pre-tax loss containing a lower proportion of taxable income compared to the pre-tax income for the prior year period.

Comprehensive Income (Loss). In accordance with regulatory requirements, the Company reports comprehensive income (loss) in its financial statements. Comprehensive income (loss) consists of the Company's net income, adjusted for unrealized gains and losses on the Bank's portfolio of investment securities. For the third quarter of 2024, the comprehensive income, net of tax, totaled $3.9 million compared to comprehensive loss in the amount of $3.8 million for the same period in 2023. The $7.8 million increase in comprehensive income was due to an $8.2 million decrease in unrealized losses on securities for the quarter ended September 30, 2024 compared to the amount of unrealized losses on securities for the comparable prior year period which was partially offset by the $422,000 decrease in net income for the third quarter of 2024 versus the same period of 2023. For the nine months ended September 30, 2024, comprehensive income, net of tax, totaled $2.6 million compared to comprehensive loss, net of tax, in the amount of $2.1 million for the comparable period in 2023. The $4.7 million increase in comprehensive income for the nine-months ended September 30, 2024 versus the comparable period in 2023, was attributable to the $6.1 million decrease in the amount of unrealized loss on securities and the $1.3 million decline in net income for the 2024 period compared to the 2023 period.

FINANCIAL CONDITION

General. The Company's assets increased to $368.4 million at September 30, 2024 from $351.8 million at December 31, 2023, an increase of $16.5 million or 4.70%, primarily due to a $7.2 million increase in cash and cash equivalents, a $19.5 million decrease in investment securities available for sale, and a $30.1 million increase in loans, net. Cash and cash equivalents as of September 30, 2024, totaled $22.5 million, an increase of $7.2 million, or 47.38% from $15.2 million on December 31, 2023. Investment securities available for sale as of September 30, 2024, totaled $120.0 million, a decrease of $19.5 million, or 13.96% from $139.4 million on December 31, 2023. Loans, net totaled $204.2 million at September 30, 2024, an increase of $30.1 million or 17.27%, from $174.2 million at December 31, 2023. The increase was primarily attributable to increases in construction, single-family residential, commercial real estate and commercial and industrial loans partially offset by decreases in automobile loans.

Loans are placed on nonaccrual status when they are past due 90 days as to either principal or interest or when, in the opinion of management, the collection of all interest and/or principal is in doubt. Placing a loan on nonaccrual status means that we no longer accrue interest or amortize deferred fees or costs on such loans and reverse any interest previously accrued but not collected. Management may grant a waiver from nonaccrual status for a 90 day past due loan that is both well secured and in the process of collection. A loan remains on nonaccrual status until the loan is current as to payment of both principal and interest and the borrower has demonstrated the ability to make payments in accordance with the terms of the loan and remain current.

A loan is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the fair value of the collateral for collateral dependent loans and at the present value of expected future cash flows using the loans' effective interest rates for loans that are not collateral dependent.

At September 30, 2024, impaired loans totaled $0.3 million, net of specific reserves. Included in the impaired loans total was $0.3 million in loans classified as nonaccrual loans. At September 30, 2024, impaired loans included restructured loans to borrowers with financial difficulty totaling $27,000. Borrowers under all other restructured loans are paying in accordance with the terms of the modified loan agreement and have been placed on accrual status after a period of performance with the restructured terms.

The following table presents details of our nonperforming loans and nonperforming assets, as these asset quality metrics are evaluated by management, at the dates indicated:

(dollars in thousands)	September 30, 2024	December 31, 2023
Nonaccrual loans	$ 293	$ 527
Restructured loans to borrowers with financial difficulty, excluding those in nonaccrual loans	-	-
Accruing loans past due 90+ days	-	-
Total nonperforming loans	293	527
Total nonperforming assets	$ 293	$ 527
Nonperforming assets to total assets	0.08 %	0.15 %

Deposits as of September 30, 2024, totaled $314.3 million, an increase of $14.2 million, or 4.73%, from $300.1 million on December 31, 2023. Demand deposits as of September 30, 2024 totaled $115.9 million, a decrease of $1.0 million, or 0.84% from $116.9 million at December 31, 2023. Interest-bearing checking accounts as of September 30, 2024 totaled $25.8 million, a decrease of $2.8 million, or 9.67% from $28.6 million at December 31, 2023. Savings accounts as of September 30, 2024 totaled $75.8 million, a decrease of $17.3 million, or 18.63%, from $93.1 million at December 31, 2023. Money market accounts as of September 30, 2024 totaled $70.2 million, an increase of $43.4 million, or 161.59%, from $26.8 million at December 31, 2023. Time deposits of $250,000 or less totaled $25.2 million on September 30, 2024, a $6.9 million or a 21.62% decrease from $32.1 million at December 31, 2023. Time deposits over $250,000 totaled $1.4 million on September 30, 2024, a $1.1 million, or 44.74% decrease from $2.5 million at December 31, 2023.

Deposits on September 30, 2024, and December 31, 2023, were as follows:

	September 30, 2024		December 31, 2023		2024 vs 2023	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	$ Change	% Change
Noninterest-bearing deposits	$ 115,938	36.9 %	$ 116,922	39.0 %	$ (984)	(0.84)%
Interest-bearing deposits:						
Checking	25,809	8.2 %	28,571	9.5 %	(2,762)	(9.67)%
Savings	75,759	24.1 %	93,104	31.0 %	(17,345)	(18.63)%
Money market	70,199	22.4 %	26,836	9.0 %	43,363	161.59 %
Total interest-bearing checking, savings and money market deposits	171,767	54.7 %	148,511	49.5 %	23,256	15.66 %
Time deposits of $250,000 or less	25,186	8.0 %	32,133	10.7 %	(6,947)	(21.62)%
Time deposits of more than $250,000	1,382	0.4 %	2,501	0.8 %	(1,119)	(44.74)%
Total time deposits	26,568	8.4 %	34,634	11.5 %	(8,066)	(23.29)%
Total interest-bearing deposits	198,335	63.1 %	183,145	61.0 %	15,190	8.29 %
Total Deposits	$ 314,273	100.0 %	$ 300,067	100.0 %	$ 14,206	4.73 %

Lease Commitments. For leases where the Bank is the lessee, operating leases are included in premises and equipment, net, and accrued expenses and other liabilities on the Consolidated Balance Sheet. The Bank currently does not have any finance leases.

Operating lease Right-of-Use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company’s leases generally do not provide an implicit rate. Lease terms may include options to extend or to terminate when the Company is reasonably certain that the option will be exercised.

Future minimum payments of the Bank’s operating leases as of September 30, 2024 are as follows:

Year ending December 31,	Amount (dollars in thousands)
2024	$ 50
2025	49
2026	9
2027	6
2028	—
Thereafter	—
Total	$ 114

Pension and Profit Sharing Plans. The Bank has a defined contribution retirement plan qualifying under Section 401(k) of the Internal Revenue Code that is funded through a profit sharing agreement and voluntary employee contributions. The plan provides for discretionary employer matching contributions to be determined annually by the Board of Directors. The plan covers substantially all employees.

For the nine months ended September 30, 2024, the Bank accrued $207,000 for its projected 401(k) match contribution as well as other profit sharing benefits.

MARKET RISK AND INTEREST RATE SENSITIVITY

Our primary market risk is interest rate fluctuation. Interest rate risk results primarily from the traditional banking activities in which the Bank engages, such as gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences affect the difference between the interest earned on our assets and the interest paid on liabilities. Our interest rate risk represents the level of exposure we have to fluctuations in interest rates and is primarily measured as the change in earnings and the theoretical market value of equity that results from changes in interest rates. The Asset Liability Committee (“ALCO”) oversees our management of interest rate risk. The objective of the management of interest rate risk is to maximize stockholder value, enhance profitability and increase capital, serve customer and community needs, and protect the Company from any adverse material financial consequences associated with changes in interest rate risk.

Interest rate risk is that risk to earnings or capital arising from movement of interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships across yield curves that affect bank activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest rate related options embedded in certain bank products (option risk). Changes in interest rates may also affect a bank’s underlying economic value. The value of a bank’s assets, liabilities, and interest-rate related, off-balance sheet contracts are affected by a change in rates because they represent the value of future cash flows, and in some cases the cash flows themselves, is changed.

We believe that accepting some level of interest rate risk is necessary in order to achieve realistic profit goals. Management and the Board of Directors have chosen an interest rate risk profile that is consistent with our strategic business plan.

The Company’s Board of Directors has established a comprehensive interest rate risk management policy, which is administered by our ALCO. The policy establishes limits on risk, which are quantitative measures of the percentage change in net interest income (a measure of net interest income at risk) and the fair value of equity capital (a measure of economic value of equity or “EVE” at risk) resulting from a hypothetical change in U.S. Treasury interest rates. We measure the potential adverse impacts that changing interest rates may have on our short-term earnings, long-term value, and liquidity by employing simulation analysis through the use of computer modeling. The simulation model captures optionality factors such as call features and interest rate caps and floors embedded in investment and loan portfolio contracts. As with any method of gauging interest rate risk, there are certain shortcomings inherent in the interest rate modeling methodology we employ. When interest rates change, actual movements in different categories of interest-earning assets and interest-bearing liabilities, loan prepayments, and withdrawals of time and other deposits, may deviate significantly from assumptions used in the model. Finally, the methodology does not measure or reflect the impact that higher rates may have on adjustable-rate loan customers’ ability to service their debts, or the impact of rate changes on demand for loan and deposit products.

We prepare a current base case and alternative simulations at least once a quarter and report the analysis to the ALCO and Board of Directors. In addition, more frequent forecasts are produced when the direction or degree of change in interest rates are particularly uncertain to evaluate the impact of balance sheet strategies or when other business conditions so dictate.

The statement of condition is subject to quarterly testing for alternative interest rate shock possibilities to indicate the inherent interest rate risk. Average interest rates are shocked by +/ - 100, 200, 300, and 400 basis points (“bp”), although we may elect not to use particular scenarios that we determine are impractical in the current rate environment. It is our goal to structure the balance sheet so that net interest-earnings at risk over a 12-month period and the economic value of equity at risk do not exceed policy guidelines at the various interest rate shock levels.

At September 30, 2024, the simulation analysis indicated that the Bank is in an asset sensitive position in all falling rate scenarios and the +100 bp and +200 bp shock scenarios, but is slightly liability sensitive in the +300, and +400 bp shock scenarios. Overall, rising rate scenarios indicate a fairly balanced profile. Management strives to optimize the level of higher costing fixed rate funding instruments, while seeking to increase assets that are more fluid in their repricing. An asset sensitive position, theoretically, is favorable in a rising rate environment since more assets than liabilities will re-price in a given time frame as interest rates rise. Similarly, a liability sensitive position, theoretically, is favorable in a declining interest rate environment since more liabilities than assets will re-price in a given time frame as interest rates decline. Management works to maintain a consistent spread between yields on assets and costs of deposits and borrowings, regardless of the direction of interest rates.

The foregoing analysis assumes that the Company's assets and liabilities move with rates at their earliest repricing opportunities based on final maturity, while considering optionality such as call features, where applicable. Certificates of deposit and IRA accounts are presumed to be repriced at maturity. NOW and savings accounts are assumed to be repriced within three months although it is the Company's experience that such accounts may be less sensitive to changes in market rates.

	Static Balance Sheet/Immediate Change in Rates			
Estimated Changes in Net Interest Income	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**
Policy Limit	(15)%	(10)%	(10)%	(15)%
September 30, 2024	**(5)%**	**(3)%**	**2 %**	**1 %**
September 30, 2023	(6)%	(3)%	— %	(1)%

As shown above, measures of net interest income at risk were slightly more favorable in up-rate scenarios and in down-rate scenarios on September 30, 2024 than on September 30, 2023 over a 12-month modeling period. These measures remained within prescribed policy limits in the up and down interest rate scenarios.

The following table sets forth the Company's interest-rate sensitivity at September 30, 2024.

	0-3 Months	Over 3 to 12 Months	Over 1 Through 5 Years	Over 5 Years	Total
			(dollars in thousands)		
Assets:					
Repricing asset balances	$ 88,616	$ 28,295	$ 116,125	$ 135,323	$ 368,359
Liabilities and Stockholders' Equity					
Repricing liability and equity balances	$ 51,242	$ 52,177	$ 82,074	$ 182,866	$ 368,359
GAP	$ 37,374	$ (23,882)	$ 34,051	$ (47,543)	
Cumulative GAP	$ 37,374	$ 13,492	$ 47,543	$ -	
Cumulative GAP as a % of total assets	10.15 %	3.66 %	12.91 %	0.00 %	

The measures of equity value at risk indicate the ongoing economic value of the Company by considering the effects of changes in interest rates on all of the Company's cash flows, and by discounting the cash flows to estimate the present value of assets and liabilities. The difference between these discounted values of the assets and liabilities is the economic value of equity, which, in theory, approximates the fair value of the Company's net assets.

	Static Balance Sheet/Immediate Change in Rates			
Estimated Changes in Economic Value of Equity (EVE)	**-200 bp**	**-100 bp**	**+100 bp**	**+200 bp**
Policy Limit	(20)%	(10)%	(10)%	(20)%
September 30, 2024	**6 %**	**3 %**	**(3)%**	**(10)%**
September 30, 2023	9 %	5 %	(8)%	(15)%

In an increasing interest rate environment, the Company's interest income changes at a rate consistent with changes in its total interest expense, thereby resulting in a balanced profile, with net interest income exhibiting minor changes in rising rate scenarios. Conversely, in a declining interest rate environment the decreases in the Company's interest income will be greater than decreases in its already low interest expense, thereby resulting in lower net interest income. In a rising interest rate environment, the Company is positioned to generate less economic value of equity as the duration of the assets is longer than the duration of the liabilities, with liabilities repricing more quickly than our assets. Conversely, the Company's economic value of equity increases in a falling interest rate environment as the longer duration of the assets benefits the Company in falling rate scenarios. Thus, the economic value of equity increases.

LIQUIDITY AND CAPITAL RESOURCES

The Company currently has no business other than that of the Bank and does not currently have any material funding commitments. The Company's principal sources of liquidity are cash on hand and dividends received from the Bank. The Bank is subject to various regulatory restrictions on the payment of dividends.

The Bank's principal sources of funds for investments and operations are net income, deposits from its primary market area, principal and interest payments on loans, interest received on investment securities and proceeds from maturing investment securities. Its principal funding commitments are for the origination or purchase of loans and the payment of maturing deposits. Deposits are considered a primary source of funds supporting the Bank's lending and investment activities.

The Bank's most liquid assets are cash and cash equivalents, which are cash on hand, amounts due from financial institutions, federal funds sold, certificates of deposit with other financial institutions that have an original maturity of three months or less and money market mutual funds. The levels of such assets are dependent on the Bank's operating, financing, and investment activities at any given time. The variations in levels of cash and cash equivalents are influenced by deposit flows and anticipated future deposit flows. The Bank's cash and cash equivalents (cash due from banks, interest-bearing deposits in other financial institutions, and federal funds sold), as of September 30, 2024, totaled $22.5 million, an increase of $7.2 million, or 47.38% from $15.2 million at December 31, 2023.

As of September 30, 2024, the Bank was permitted to draw on a $88.9 million line of credit from the FHLB of Atlanta. Short-term borrowings under the line totaled $0 and $20.0 million at September 30, 2024 and December 31, 2023, respectively. Borrowings under the line are secured by a floating lien on the Bank's residential mortgage loans and investment securities. As of September 30, 2024, the Bank had $30.0 million in outstanding short-term borrowings from the Federal Reserve Bank ("FRB") under the Bank Term Funding Program ("BTFP"). At December 31, 2023, there was $10.0 million in short-term borrowings outstanding from the FRB. Borrowings under the line are secured by investment securities. As of September 30, 2024, no further advances are available under the BTFP as that program has been terminated by the FRB. The Bank also has a line of credit through the Federal Reserve Discount Window that is limited to the amount of qualifying collateral pledged, for which the amount outstanding at September 30, 2024, totaled $0.

In addition, the Bank has two unsecured federal funds lines of credit in the amount of $9.0 million and $8.0 million, respectively, of which $0 was outstanding as of September 30, 2024.

The Company's stockholders' equity increased $1.8 million, or 9.50% during the nine-month period ended September 30, 2024. The increase in equity was primarily due to a 2.7 million decrease in the after-tax net unrealized holding loss on securities available for sale that was partially offset by the $866,000 in dividends paid and the $72,000 net loss in the period ended September 30, 2024.

The Federal Reserve Board and the FDIC have established guidelines with respect to the maintenance of appropriate levels of capital by bank holding companies and state non-member banks, respectively. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts, and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The Bank is subject to the Basel III Capital Rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach. The Basel III Capital Rules also implements the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting principles. The Bank's capital amounts, and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The rules include a common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, a minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0%, require a minimum ratio of Total Capital to risk-weighted assets of 8.0%, and require a minimum Tier 1 leverage ratio of 4.0%. The rules establish a capital conservation buffer above the regulatory minimum capital requirements. Since 2019, this capital conservation buffer is 2.5%. The capital conservation buffer is designed to absorb losses during periods of economic stress and as detailed above, effectively increases the minimum required risk-weighted capital ratios. The rules also implemented strict eligibility criteria for regulatory capital instruments.

The rules also revised the definition and calculation of Tier 1 capital, Total Capital, and risk-weighted assets. The Common Equity Tier 1, Tier 1 and Total Capital ratios are calculated by dividing the respective capital amounts by risk-weighted assets. Risk-weighted assets are calculated based on regulatory requirements and include total assets, with certain exclusions, allocated by risk weight category, and certain off-balance-sheet items, among other things. The leverage ratio is calculated by dividing Tier 1 capital by adjusted quarterly average total assets, which exclude goodwill and other intangible assets, among other things.

The regulations impose several sets of capital adequacy requirements: minimum leverage rules, which require bank holding companies and banks to maintain a specified minimum ratio of capital to total assets, and risk-based capital rules, which require the maintenance of specified minimum ratios of capital to "risk-weighted" assets. In addition, there are requirements to maintain a capital conservation buffer which raised the minimum required common equity Tier 1 capital ratio to 7.00%, the Tier 1 capital ratio to 8.50% and the total capital ratio to 10.50%. At September 30, 2024, the Bank was in full compliance with these guidelines with a Tier 1 leverage ratio of 10.11%, a Tier 1 risk-based capital ratio of 15.47%, a common equity Tier 1 risk-based capital ratio of 15.47%, and a total risk-based capital ratio of 16.72%. The Company's capital amounts and ratios at September 30, 2024 and December 31, 2023 were as follows:

	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
September 30, 2024	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(dollars in thousands)			
Common equity tier 1	$ 36,755	15.47 %	$ 10,691	4.50 %	$ 15,443	6.50 %
Total capital	$ 39,729	16.72 %	$ 19,006	8.00 %	$ 23,758	10.00 %
Tier 1 capital	$ 36,755	15.47 %	$ 14,255	6.00 %	$ 19,006	8.00 %
Tier 1 leverage	$ 36,755	10.11 %	$ 14,539	4.00 %	$ 18,173	5.00 %

	Actual		To Be Considered Adequately Capitalized		To Be Well Capitalized Under Prompt Corrective Action Provisions	
December 31, 2023	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(dollars in thousands)			
Common equity tier 1	$ 37,975	17.37 %	$ 9,840	4.50 %	$ 14,213	6.50 %
Total capital	$ 40,237	18.40 %	$ 17,493	8.00 %	$ 21,867	10.00 %
Tier 1 capital	$ 37,975	17.37 %	$ 13,120	6.00 %	$ 17,493	8.00 %
Tier 1 leverage	$ 37,975	10.76 %	$ 14,113	4.00 %	$ 17,641	5.00 %

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are fully described in its Annual Report on Form 10- K for the fiscal year ended December 31, 2023 and are essential to understanding Management's Discussion and Analysis of Financial Condition and Results of Operations. As discussed there, the preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Since future events and their effects cannot be determined with absolute certainty, the determination of estimates requires the exercise of judgment. Management has used the best information available to make the estimations necessary to value the related assets and liabilities based on historical experience and on various assumptions which are believed to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences may be material to the financial statements. The Company reevaluates these variables as facts and circumstances change. Historically, actual results have not differed significantly from the Company's estimates. The following is a summary of the more judgmental accounting estimates and principles involved in the preparation of the Company's financial statements, including the identification of the variables most important in the estimation process:

Allowance for Credit Losses. The allowance for credit losses ("ACL") consists of the allowance for credit losses and the reserve for unfunded commitments. In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326"). The ASC, as amended, is intended to provide financial statement users with more decision useful information about the expected credit losses on financial instruments that are not accounted for at fair value through net income.

As a result of our adoption of ASC 326, our methodology for estimating the ACL changed significantly from December 31, 2020. The standard replaced the "incurred loss" approach with an "expected loss" approach known as current expected credit loss ("CECL"). The CECL methodology requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures) and it removes the incurred loss methodology's threshold that delayed the recognition of a credit loss until it was "probable" a loss event was deemed to be "incurred."

The estimate of expected credit losses under the CECL methodology is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. We then consider whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period from which historical experience was based. Finally, we consider forecasts about future economic conditions or changes in collateral values that are reasonable and supportable.

Management's determination of the amount of the ACL is a critical accounting estimate as it requires significant reliance on the credit risk we ascribe to individual borrowers, the use of estimates and significant judgment as to the amount and timing of expected future cash flows on criticized loans, significant reliance on historical loss rates on homogenous portfolios, consideration of our quantitative and qualitative evaluation of past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

Going forward, the impact of utilizing the CECL methodology to calculate the ACL will be significantly influenced by the composition, characteristics, and quality of our loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in greater volatility to the allowance for credit losses, and therefore, greater volatility in our reported earnings. For further information regarding the Bank's allowance for credit losses, see "Allowance for Credit Losses," above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a “smaller reporting company” and, as such, disclosure pursuant to this Item 3 is not required.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to management in a timely manner. The Company’s Chief Executive Officer and Chief Financial Officer have evaluated this system of disclosure controls and procedures as of the end of the period covered by this quarterly report and have concluded that the system is effective. There have been no changes in the Company’s internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we are party to litigation arising from the banking, financial, and other activities we conduct. Management, after consultation with legal counsel, does not anticipate that the ultimate liability, if any, arising from these matters will have a material effect on the Company’s financial condition, operating results, or liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registrant's Form 8-A filed December 27, 1999, File No. 0-24047)
3.2	Articles of Amendment, dated October 8, 2003 (incorporated by reference to Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
3.3	Articles Supplementary, dated November 16, 1999 (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed December 8, 1999, File No. 0-24047)
3.4	By-Laws (incorporated by reference to Exhibit 3.4 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003, File No. 0-24047)
4.1	Description of Registrant's Securities (incorporated by reference to "Description of Common Stock" set forth in Amendment No. 1 to the Registrant's Form 8 A filed December 27, 1999, File No. 0 24047)
10.1	Glen Burnie Bancorp Director Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No.33-62280)
10.2	The Bank of Glen Burnie Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8, File No. 333-46943)
10.3	Amended and Restated Change-in-Control Severance Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001, File No. 0-24047)
10.4	The Bank of Glen Burnie Executive and Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1999, File No. 0-24047)
31.1	Rule 15d-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 15d-14(a) Certification of Chief Financial Officer (filed herewith)
32	Section 1350 Certifications: Certification by the Principal Executive Officer and Principal Accounting Officer of the periodic financial reports, required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLEN BURNIE BANCORP
(Registrant)

Date: November 12, 2024

By: /s/ Mark C. Hanna
Mark C. Hanna
President, Chief Executive Officer

By: /s/ Jeffrey D. Harris
Jeffrey D. Harris
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Mark C. Hanna, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Glen Burnie Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Mark C. Hanna
Mark C. Hanna
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Jeffrey D. Harris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Glen Burnie Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 12, 2024

/s/ Jeffrey D. Harris
Jeffrey D. Harris
Chief Financial Officer

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Glen Burnie Bancorp (the “Company”) on Form 10-Q for the period ending September 30, 2024, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the “Report”), the undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods reflected therein.

Date: November 12, 2024

/s/ Mark C. Hanna
Mark C. Hanna
President, Chief Executive Officer

/s/ Jeffrey D. Harris
Jeffrey D. Harris
Chief Financial Officer